



**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2008**



**Mary Taylor, CPA**  
Auditor of State



**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets .....	9
Statement of Activities.....	10
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	11
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	12
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	13
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	14
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund .....	15
Statement of Fiduciary Net Assets - Fiduciary Funds.....	16
Statement of Changes in Fiduciary Net Assets - Fiduciary Fund .....	17
Notes to the Basic Financial Statements .....	18
Federal Awards Receipts and Expenditures Schedule.....	45
Notes to the Federal Awards Receipts and Expenditures Schedule .....	46
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	47
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	49
Schedule of Findings.....	51
Schedule of Prior Audit Findings.....	55

**This page is intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Lake Local School District  
Wood County  
28090 Lemoyne Road  
Millbury, Ohio 43447-9747

To the Board of Education:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lake Local School District, Wood County, Ohio, as of June 30, 2008, and the respective changes in financial position, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

One Government Center / Room 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

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

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

**Mary Taylor, CPA**  
Auditor of State

March 17, 2009

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

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

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

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2008 are as follows:

- Net assets of governmental activities increased by \$604,565, which represents a 10.6% increase from fiscal year 2007.
- The District financed the payment for cost of installations, modifications and remodeling of school buildings to conserve energy, with an \$850,000 Energy Conservation Improvement Bond. This Bond will be paid off in 2018.
- The District entered into a capital lease for six school buses. Total cost for 2008 was \$103,910. This was done to defer cost over several years.
- General revenues accounted for \$14,890,012 in revenue or 86.2% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$2,389,397 or 13.8% of total revenues of \$17,279,409.
- Total assets of governmental activities increased by \$848,964. Some of the change was due to cash and investments increasing by \$498,553, capital assets increasing by \$541,562 and taxes receivable decreasing by \$180,288.
- The District had \$16,674,844 in expenses related to governmental activities; only \$2,389,397 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$14,890,012 were also used to provide for these programs.
- All governmental funds had total revenues and other financing sources of \$18,442,370 and expenditures and other financing uses of \$18,218,302. The net change in fund balance increased \$224,068, or 4.8% for the year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Lake Local School District's financial position.

The statement of net assets and the statement of activities provide information about the activities of the District as a whole, presenting both an aggregate and a longer-term view of the District.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short term and what remains for future spending. Fund financial statements report the District's most significant funds individually and the District's non-major funds in a single column. The District's major funds are the General Fund, and the Bond Retirement Fund.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

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

REPORTING THE DISTRICT AS A WHOLE

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2008. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year.

Over time, these increases and/or decreases are an indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors can include changes in the District's property tax base and the condition of the District's capital assets. These factors must be considered when assessing the overall health of the District.

In the statement of net assets and the statement of activities, the District has the following activity:

Governmental Activities - Most of the District's programs and services are reported here, including instruction, support services, non-instructional services, and extracurricular activities expenditures. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. The District's major governmental funds are the General Fund and the Bond Retirement Fund. While the District uses many funds to account for its financial transactions, these are the most significant.

Governmental Funds - The District's governmental funds are used to account for the same programs reported as governmental activities on the government-wide financial statements. The District's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at fiscal year end. These funds are reported using the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's operations.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.



**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the District's net assets for fiscal year 2008 compared to fiscal year 2007.

TABLE 1  
Net Assets (In Thousands)

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Current and Other Assets	\$14,468	\$14,161
Capital Assets, Net	<u>16,829</u>	<u>16,287</u>
<u>Total Assets</u>	<u>\$31,297</u>	<u>\$30,448</u>
<u>Liabilities</u>		
Current and Other Liabilities	\$ 9,196	\$ 9,219
Long-Term Liabilities	<u>15,773</u>	<u>15,506</u>
<u>Total Liabilities</u>	<u>\$24,969</u>	<u>\$24,725</u>
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	\$ 2,123	\$ 1,830
Restricted	2,224	2,417
Unrestricted	<u>1,980</u>	<u>1,476</u>
<u>Total Net Assets</u>	<u>\$ 6,327</u>	<u>\$ 5,723</u>

Current and other assets increased 2.2 percent. The majority of this increase was in cash. Overall total assets increased 2.8 percent.

Current and other liabilities decreased .2 percent. The majority of this decrease was in accounts payable. Long-term liabilities increased by 1.7 percent due to the issuance of an Energy Conservation Bond, accretion on capital appreciation bonds and amortization of bond premiums. Overall total liabilities increased by 1.0 percent.

Invested in Capital Assets, net of related debt increased by 16.0 percent. The increase was due to payments on debt related to capital assets and additions to capital assets. Restricted net assets decreased by 8.0 percent due to less money being restricted for set asides. Unrestricted net assets increased by 34.1 percent due to operations.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

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

Table 2 reflects the changes in net assets for fiscal years 2008 and 2007.

TABLE 2  
Change in Net Assets (in Thousands)

<u>Revenues</u>		
Charges for services	\$1,184	\$1,082
Operating grants and contributions	1,195	1,126
Capital grants and contributions	11	18
	<hr/>	<hr/>
Total Program Revenues	2,390	2,226
<u>General Revenues</u>		
Property Taxes	8,431	9,032
Payment in lieu of taxes	53	46
Grants and entitlements not restricted to specific programs	6,112	5,632
Interest	254	247
Miscellaneous	1	3
Proceeds from sale of capital assets	38	
	<hr/>	<hr/>
Total General Revenues	14,889	14,960
<u>Total Revenues</u>	<hr/>	<hr/>
	17,279	17,186
<u>Expenses</u>		
Instruction	9,427	8,436
Support Services		
Pupils	654	600
Instructional Staff	561	488
Board of Education	168	79
Administration	995	1,006
Fiscal	458	432
Operation and maintenance of plant	1,548	1,513
Pupil transportation	898	765
Central	134	125
Non-Instructional Services	128	150
Extracurricular Activities	647	654
Interest and Fiscal Changes	566	1,207
Food Service	485	458
Building Improvements	6	
	<hr/>	<hr/>
<u>Total Expenses</u>	16,675	15,913
<u>Increase in Net Assets</u>	604	1,273
<u>Net Assets – Beginning of Year</u>	<hr/>	<hr/>
	5,723	4,450
<u>Net Assets – End of Year</u>	<hr/>	<hr/>
	\$6,327	\$5,723

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

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

Governmental Activities

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

TABLE 3  
Governmental Activities (in Thousands)

	2008		2007	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$9,427	\$8,081	\$8,436	\$7,248
Support Services:				
Pupils and Instructional Staff	1,215	1,126	1,088	1,022
Board of Education, Administration Fiscal and Business	1,621	1,619	1,517	1,513
Operation and Maintenance of Plant	1,548	1,536	1,513	1,501
Pupil Transportation	898	887	765	747
Central	134	17	125	(10)
Non-Instructional Services	128	127	150	150
Food Service Operations	485	(16)	458	(20)
Extracurricular Activities	647	336	654	329
Interest and Fiscal Charges	566	566	1,207	1,207
Building Improvement Services	6	6		
<b>Total Expenses</b>	<b>\$16,675</b>	<b>\$14,285</b>	<b>\$15,913</b>	<b>\$13,687</b>

The District is dependent upon tax revenues for governmental activities. Over 85.7 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.7 percent. The community, as a whole, is the primary support for Lake Local School District students.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$18,442,370 and expenditures and other financing uses of \$18,218,302. This resulted in a positive change in fund balance of \$224,068 for the fiscal year.

BUDGETARY HIGHLIGHTS

The District prepares an annual budget of revenues and expenditures for all funds of the District for use by District officials and department heads and prepares such other budgetary documents as are required by State statute, including the annual appropriations ordinance which is effective the first day of July. The District's most significant budgeted fund is the General Fund. During the course of fiscal year 2008, the District amended its General Fund budget as needed.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

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

For the General Fund, final budgeted revenues and other financing sources increased \$1,164,024 from the original estimates. Final budgeted expenditures and other financing uses increased \$681,974 from the District's original estimates. Actual revenues and other financing sources came in \$725,105 less than final budgeted amounts and actual expenditures and other financing uses came in \$197,897 than final budgeted expenditures and other financing uses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The increase in capital assets for governmental activities is the result of capital asset additions being greater than depreciation on capital assets. Note 8 provides additional details regarding capital assets.

Debt

The District has two school improvement bonds that will be fully paid in 2010 and 2026. The District also has an Energy Conservation Bond that will be fully paid in 2018.

In addition to the debt noted above, the District's long term debt also includes compensated absences and a capital lease. Note 15 provides additional details regarding debt.

Economic Outlook

Externally, the Ohio Supreme Court found the State of Ohio in March 1997, to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward Districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes which are inherently not "equitable" nor "adequate." The Court directed the Governor and the legislature to address the fundamental issues creating the inequities. In 2001, the Ohio legislature crafted a school-funding program to address the Court's concerns.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years. Financially, the future of the District is not without challenges. Management must diligently plan future expenditures.

All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those interested in the District's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Jeffrey L. Carpenter, Treasurer, Lake Local School District, 28090 Lemoyne Road, Millbury, Ohio 43447-9747.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Statement of Net Assets  
June 30, 2008**

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 3,312,534
Investments	1,606,302
Inventory Held for Resale	1,359
Accrued Interest Receivable	33,861
Accounts Receivable	10,439
Intergovernmental Receivable	22,642
Prepaid Items	30,703
Taxes Receivable	9,298,385
Noncurrent Assets:	
Unamortized Bond Issuance Cost	151,231
Non-Depreciable Capital Assets	1,410,006
Depreciable Capital Assets, net	<u>15,419,039</u>
 <i>Total Assets</i>	 <u>31,296,501</u>
 <b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	130,022
Accrued Wages and Benefits	913,455
Intergovernmental Payable	295,135
Accrued Interest Payable	44,073
Deferred Revenue	7,813,616
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	1,091,018
Due in More Than One Year	<u>14,681,864</u>
 <i>Total Liabilities</i>	 <u>24,969,183</u>
 <b>NET ASSETS:</b>	
Invested in Capital Assets, Net of Related Debt	2,122,758
Restricted for Debt Service	1,134,384
Restricted for Capital Outlay	676,007
Restricted for Other Purposes	154,659
Restricted for Set Asides	256,474
Restricted - Permanent	3,000
Unrestricted	<u>1,980,036</u>
 <i>Total Net Assets</i>	 <u><u>\$ 6,327,318</u></u>

The accompanying notes are an integral part of the financial statements.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Statement of Activities  
For the Fiscal Year Ended June 30, 2008**

	Program Revenues				
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities:					
Instruction:					
Regular	\$ 7,411,670	\$ 564,176	\$ 155,874	\$ (6,691,620)	
Special	1,699,804		612,722	(1,087,082)	
Vocational	315,130		12,771	(302,359)	
Support Services:					
Pupils	653,628	5,500	6,736	(641,392)	
Instructional Staff	561,446		76,641	(484,805)	
Board of Education	168,076			(168,076)	
Administration	995,396	360	1,744	(993,292)	
Fiscal	458,135	286		(457,849)	
Operation and Maintenance of Plant	1,547,775		12,000	(1,535,775)	
Pupil Transportation	897,548		\$ 10,629	(886,919)	
Central	134,370		117,221	(17,149)	
Operation of Non-Instructional Services	127,904	406		(127,498)	
Food Service Operations	485,134	302,347	198,869	16,082	
Extracurricular Activities	647,070	311,115		(335,955)	
Building Improvement Services	5,919			(5,919)	
Interest and Fiscal Charges	565,839			(565,839)	
<i>Total Governmental Activities</i>	<u>\$ 16,674,844</u>	<u>\$ 1,184,190</u>	<u>\$ 1,194,578</u>	<u>\$ 10,629</u>	<u>(14,285,447)</u>
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purposes				6,925,747	
Property Taxes, Levied for Capital Outlay				267,733	
Property Taxes, Levied for Debt Service				1,238,364	
Payments in Lieu of Taxes				53,306	
Grants and Entitlements not Restricted to Specific Programs				6,111,929	
Investment Earnings				254,177	
Miscellaneous				554	
Proceeds from Sale of Capital Assets				38,202	
<i>Total General Revenues and Transfers</i>				<u>14,890,012</u>	
<i>Change in Net Assets</i>				604,565	
<i>Net Assets Beginning of Year</i>				<u>5,722,753</u>	
<i>Net Assets End of Year</i>				<u>\$ 6,327,318</u>	

The accompanying notes are an integral part of the financial statements.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Balance Sheet - Governmental Funds  
June 30, 2008**

	General Fund	Bond Retirement Fund	All Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,305,500	\$803,170	\$947,390	\$3,056,060
Investments	1,606,302			1,606,302
Inventory Held for Resale			1,359	1,359
Accrued Interest Receivable	33,861			33,861
Accounts Receivable			10,439	10,439
Intergovernmental Receivable			22,642	22,642
Prepaid Items	30,703			30,703
Taxes Receivable	7,678,908	1,322,315	297,162	9,298,385
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	256,474			256,474
<i>Total Assets</i>	<u>10,911,748</u>	<u>2,125,485</u>	<u>1,278,992</u>	<u>14,316,225</u>
<b>LIABILITIES:</b>				
Accounts Payable	51,996		78,026	130,022
Accrued Wages and Benefits	857,222		56,233	913,455
Intergovernmental Payable	282,509		12,626	295,135
Deferred Revenue	6,726,063	1,136,781	257,694	8,120,538
<i>Total Liabilities</i>	<u>7,917,790</u>	<u>1,136,781</u>	<u>404,579</u>	<u>9,459,150</u>
<b>Equity:</b>				
<b>FUND BALANCES:</b>				
<b>Reserved:</b>				
Reserved for Encumbrances	198,307		617,653	815,960
Reserved for Inventory			1,359	1,359
Reserved for Prepaid Items	30,703			30,703
Reserved for Property Taxes	952,845	185,534	39,468	1,177,847
Reserved for Textbooks and Instructional Materials	233,555			233,555
Reserved for Budget Stabilization	22,919			22,919
<b>Unreserved, Undesignated, Reported in:</b>				
General Fund	1,555,629			1,555,629
Special Revenue Funds			160,450	160,450
Debt Service Funds		803,170		803,170
Capital Projects Funds			52,483	52,483
Permanent Funds			3,000	3,000
<i>Total Fund Balances</i>	<u>2,993,958</u>	<u>988,704</u>	<u>874,413</u>	<u>4,857,075</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$10,911,748</u>	<u>\$2,125,485</u>	<u>\$1,278,992</u>	<u>\$14,316,225</u>

The accompanying notes are an integral part of the financial statements.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Reconciliation of Total Governmental Fund Balances  
To Net Assets of Governmental Activities  
June 30, 2008**

Total Governmental Fund Balances	\$ 4,857,075
<i>Amounts reported for governmental activities on the statement of net assets are different because of the following:</i>	
Capital assets are used in governmental activities are not financial resources and, therefore, not reported in the funds:	16,829,045
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	306,922
Unamortized issuance costs are reported as deferred charges on the Statement of Net Assets but as an expenditure on the fund financial statements which do not provide current financial resources and, therefore, are not reported in the funds:	151,231
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:	<u>(15,816,955)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$ 6,327,318</u></u>

The accompanying notes are an integral part of the financial statements.



**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2008**

	General Fund	Bond Retirement Fund	All Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Property and Other Local Taxes	\$6,813,685	\$1,226,665	\$264,473	\$8,304,823
Intergovernmental	5,848,597	227,941	1,240,598	7,317,136
Interest	244,348		9,829	254,177
Tuition and Fees	438,658		62,164	500,822
Rent	6,500			6,500
Extracurricular Activities	58,973		265,744	324,717
Gifts and Donations	25		38,353	38,378
Customer Sales and Services	7,506		306,267	313,773
Payments in Lieu of Taxes			53,306	53,306
Miscellaneous	554			554
<i>Total Revenues</i>	<u>13,418,846</u>	<u>1,454,606</u>	<u>2,240,734</u>	<u>17,114,186</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	6,438,941		380,527	6,819,468
Special	1,055,611		643,090	1,698,701
Vocational	307,420			307,420
<b>Support Services:</b>				
Pupils	637,624		12,037	649,661
Instructional Staff	436,120		112,343	548,463
Board of Education	165,902			165,902
Administration	976,151		31,873	1,008,024
Fiscal	435,547	18,382	4,188	458,117
Operation and Maintenance of Plant	1,396,767		219,099	1,615,866
Pupil Transportation	776,063		481,310	1,257,373
Central	121,611		7,909	129,520
Operation of Non-Instructional Services			116,745	116,745
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations			487,444	487,444
Extracurricular Activities	410,783		205,367	616,150
Capital Outlay			857,078	857,078
<b>Debt Service:</b>				
Principal		945,000		945,000
Interest		474,788		474,788
<i>Total Expenditures</i>	<u>13,158,540</u>	<u>1,438,170</u>	<u>3,559,010</u>	<u>18,155,720</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>260,306</u>	<u>16,436</u>	<u>(1,318,276)</u>	<u>(1,041,534)</u>
<b>OTHER FINANCING SOURCES AND USES:</b>				
Transfers In			62,582	62,582
Energy Conservation Notes Issued			850,000	850,000
Proceeds from Sale of Capital Assets	38,202			38,202
Inception of Capital Lease			377,400	377,400
Transfers Out	(62,582)			(62,582)
<i>Total Other Financing Sources and Uses</i>	<u>(24,380)</u>		<u>1,289,982</u>	<u>1,265,602</u>
<i>Net Change in Fund Balances</i>	235,926	16,436	(28,294)	224,068
<i>Fund Balance at Beginning of Year</i>	<u>2,758,032</u>	<u>972,268</u>	<u>902,707</u>	<u>4,633,007</u>
<i>Fund Balance at End of Year</i>	<u>\$2,993,958</u>	<u>\$988,704</u>	<u>\$874,413</u>	<u>\$4,857,075</u>

The accompanying notes are an integral part of the financial statements.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the year ended June 30, 2008**

Net Change in Fund Balances - Total Governmental Funds	\$	224,068
<p>Amounts reported for governmental activities in the statement of activities are different because of the following:</p>		
<p>Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year:</p>		
		635,106
<p>The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a loss on disposal of capital assets on the statement of activities.</p>		
		(93,544)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:</p>		
		127,021
<p>Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of activities:</p>		
		945,000
<p>Repayment of capital lease is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities on the statement of activities:</p>		
		103,910
<p>Debt proceeds, discounts, and premiums are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of net assets:</p>		
		(850,000)
<p>Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. The amortization of premiums and discounts is reported on the statement of activities.</p>		
		(72,919)
<p>Issuance costs are reported as an expenditure when paid in the governmental funds, but are deferred and amortized on the statement of activities:</p>		
		(18,131)
<p>The inception of a capital lease is an other financing source in the governmental funds, but increases long-term liabilities on the statement of net assets.</p>		
		(377,400)
<p>Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:</p>		
		(18,546)
<i>Change in Net Assets of Governmental Activities</i>		604,565
	\$	

The accompanying notes are an integral part of the financial statement.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Schedule of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 7,156,907	\$ 7,771,183	\$ 7,071,011	\$ (700,172)
Intergovernmental	5,476,262	5,946,288	5,848,597	(97,691)
Interest	225,000	244,312	229,494	(14,818)
Tuition and Fees	337,300	366,250	438,658	72,408
Rent	7,500	8,144	6,500	(1,644)
Extracurricular Activities	64,615	70,161	58,973	(11,188)
Gifts and Donations			25	25
Customer Sales and Services	3,200	3,475	7,506	4,031
Miscellaneous	1,220	1,325	549	(776)
<b>Total Revenues</b>	<b>13,272,004</b>	<b>14,411,138</b>	<b>13,661,313</b>	<b>(749,825)</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	6,112,609	6,478,419	6,422,573	55,846
Special	1,125,036	1,090,532	1,087,435	3,097
Vocational	264,297	317,722	315,449	2,273
<b>Support Services:</b>				
Pupils	649,588	662,193	644,445	17,748
Instructional Staff	423,374	438,524	431,587	6,937
Board of Education	115,258	226,103	220,165	5,938
Administration	1,033,426	1,039,338	1,017,334	22,004
Fiscal	414,794	450,749	445,485	5,264
Operation and Maintenance of Plant	1,484,339	1,486,989	1,447,540	39,449
Pupil Transportation	760,092	825,312	811,597	13,715
Central	120,959	132,059	126,743	5,316
<b>Extracurricular Activities:</b>				
Academic Oriented Activities	92,700	85,900	84,413	1,487
Sport Oriented Activities	320,445	348,845	330,022	18,823
<b>Total Expenditures</b>	<b>12,916,917</b>	<b>13,582,685</b>	<b>13,384,788</b>	<b>197,897</b>
<b>Excess of Revenues Over Expenditures</b>	<b>355,087</b>	<b>828,453</b>	<b>276,525</b>	<b>(551,928)</b>
<b>OTHER FINANCING SOURCES AND USES:</b>				
Transfers In	250,000	271,458	233,558	(37,900)
Advances In	15,000	16,287	56,986	40,699
Proceeds from Sale of Capital Assets			38,202	38,202
Refund of Prior Year Expenditures	25,000	27,145	10,864	(16,281)
Transfers Out	(280,000)	(296,140)	(296,140)	
Advances Out		(66)	(66)	
<b>Total Other Financing Sources and Uses</b>	<b>10,000</b>	<b>18,684</b>	<b>43,404</b>	<b>24,720</b>
<b>Net Change in Fund Balances</b>	<b>365,087</b>	<b>847,137</b>	<b>319,929</b>	<b>(527,208)</b>
Fund Balance at Beginning of Year	2,291,676	2,291,676	2,291,676	
Prior Year Encumbrances Appropriated	322,417	322,417	322,417	
<b>Fund Balance (Deficit) at End of Year</b>	<b>\$ 2,979,180</b>	<b>\$ 3,461,230</b>	<b>\$ 2,934,022</b>	<b>\$ (527,208)</b>

The accompanying notes are an integral part of the financial statements.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2008**

	Private Purpose Trust Fund	Agency Fund
<b>ASSETS:</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 771,722	\$ 33,879
<i>Total Assets</i>	<i>771,722</i>	<i>33,879</i>
 <b>LIABILITIES:</b>		
Current Liabilities:		
Accounts Payable		2,419
Due to Students		31,460
<i>Total Liabilities</i>		<i>\$ 33,879</i>
 <b>NET ASSETS:</b>		
Held in Trust for Scholarships	771,722	
<i>Total Net Assets</i>	<i>\$ 771,722</i>	

The accompanying notes are an integral part of the financial statements.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2008**

	Private Purpose Trust Fund
ADDITIONS:	
Gifts and Contributions	\$ 1,070
Interest	<u>26,106</u>
<i>Total Additions</i>	<u>27,176</u>
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>12,100</u>
<i>Total Deductions</i>	<u>12,100</u>
<i>Change in Net Assets</i>	15,076
<i>Net Assets Beginning of Year</i>	<u>756,646</u>
<i>Net Assets End of Year</i>	<u><u>\$ 771,722</u></u>

The accompanying notes are an integral part of the financial statements.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

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

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

The District is located in a rural community in Northwest Ohio. It is staffed by 60 non-certificated employees, 100 certificated full-time teaching personnel who provide services to 1,523 students and other community members.

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

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

The District is associated with eight organizations as follows: Northwest Ohio Computer Association, Northern Buckeye Education Council, Penta Career Center, NW Ohio Educational Council, and the Ohio Schools Council, which are defined as jointly governed organizations; the Ohio Association of School Business Officials Group Rating Program, Wood County Insurance Consortium, and Northwest Ohio Educational Council Self Insurance Pool are insurance purchasing pools; These organizations are presented in Notes 17 and 18 to the basic financial statements.

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

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

**A. Basis Of Presentation**

The 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.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

1. Government-Wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental activities of the District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. 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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

2. Fund Financial Statements

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

B. Fund Accounting

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

1. Governmental Funds

Governmental funds are those through which most governmental functions of the District 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 District had two major governmental funds:

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

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

Bond Retirement Fund - The Bond Retirement Fund is used to account for property tax revenues and transfers from the General Fund to pay the principal and related interest on the District's school improvement bonds.

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

2. Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The Districts fiduciary funds include private purpose trust funds and agency funds. The private purpose trust funds account for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Measurement Focus

1. Government-Wide Financial Statements

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

2. 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 are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects 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 fund financial statements for governmental funds.

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

D. Basis of Accounting

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



**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

1. Revenues - Exchange and Nonexchange Transactions

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, payment in lieu of taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used to the specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the 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 both measurable and available at fiscal year end: property taxes available as an advance, grants, interest, tuition, and student fees.

2. Deferred Revenues

Deferred revenues arise when assets are recognized before revenue criteria has been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, are 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 are reported as deferred revenue.

3. Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

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

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amount on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during fiscal year 2008.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. 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.

G. Cash and Cash Equivalents

To improve cash management, all cash received by the District is pooled, except for the federal agency securities purchased and held in a separate management account to the credit of the District's General Fund only. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents". During fiscal year 2008, investments were limited to certificates of deposit, STAR Ohio, federal agency securities, and the U.S. Treasury money market fund.

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

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2008. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2008.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$244,348 which includes \$101,670 assigned from other funds.

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

H. Inventory

Inventory is presented at the lower of cost or market. Cost is determined on a first-in, first-out basis and is expensed when used on the government-wide financial statements, or recorded as an expenditure/expense when used on the fund financial statements. Inventory is accounted for using the purchase method.

On the fund financial statements, reported inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of donated and purchased foods in the governmental funds.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

J. Restricted Funds

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation.

Restricted assets in the general fund represent cash set aside to establish a budget stabilization reserve and textbook and instructional material reserves. These reserves are required by State statute. The total restricted cash as of June 30, 2008, was \$256,474.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

K. Capital Assets

General capital assets are those not specifically related to activities in the enterprise fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value on the date donated. The District maintains a capitalization threshold of two thousand dollars. The District does not have any infrastructure. Improvements are capitalized.

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

<u>Description</u>	<u>Useful Lives</u>
Land improvements	10 - 20 years
Buildings and building improvements	10 - 75 years
Furniture, fixtures, and equipment	5 - 20 years
Vehicles	5 - 10 years
Infrastructure	50 years
Library and textbooks (if capitalized)	5 - 10 years

L. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the government-wide statement of net assets.

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

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

N. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually required pension contributions that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Notes are recognized as a liability on the fund financial statements when due.

**O. Unamortized Issuance Costs/Bond Premium and Discount**

On government-wide financial statements, issuance costs and bond discounts are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges. Bond discounts are presented as a reduction of the face amount of bonds payable.

Bond premiums on the capital appreciation bonds are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amounts of the bonds.

On the governmental fund financial statements, issuance costs, bond premiums, and bond discounts are recognized in the current period.

**P. Interfund Transactions**

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

**Q. Fund Balance Reserves**

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, property taxes, budget stabilization, prepaid items, and textbook and instructional materials. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

**R. 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 balance of any borrowing 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 District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. None of the District's funds are restricted by enabling legislation.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

S. 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 management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- C. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

<u>Net Changes in Fund Balance</u>	
Budget Basis	\$319,929
<u>Increase (Decrease) Due To:</u>	
Net adjustment for revenue accruals	(242,467)
Net adjustment for expenditure accruals	(7,997)
Net adjustment for other sources (uses)	(67,784)
Encumbrances outstanding at year end (Budget basis)	<u>234,245</u>
GAAP Basis	<u>\$235,926</u>

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

**NOTE 4 – ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

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

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefit plans and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 11) have been modified to conform to the new reporting requirements.

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

**B. Deficit Fund Balances**

At June 30, 2008, there was a deficit in the special revenue funds listed below. The deficit in the special revenue funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit funds and provides operating transfers when cash is required, not when accruals occur.

<u>Fund</u>	<u>Fund Description</u>	<u>Deficit Balance</u>
Special Revenue		
416	Professional Development Block	\$18
439	Public School Preschool	7.037
440	Entry Year Program Grant	121
452	Schoolnet Professional Development	4
572	Title I	38,634
573	Title V	3,831
590	Title II A	\$58,183

**C. Noncompliance**

Contrary to Ohio Rev. Code § 5705.41(B), at May 30, 2008, budgetary expenditures exceeded appropriations in the Permanent Improvement fund (\$1,027,508), Food Service Fund (\$78,974), Title VI-B fund (\$34,257) and Title I fund (\$44,775).

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;



**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

**NOTE 5 - DEPOSITS AND INVESTMENTS – (CONTINUED)**

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

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

Cash on Hand - At fiscal year end, the District had \$2,885 in undeposited cash on hand which is included on the balance sheet of the District as part of "equity in pooled cash and cash equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements", and amended by GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

Deposits – At June 30, 2008, the carrying amount of all the District's deposits was \$1,279,980. At fiscal year end, \$1,298,887 of the bank balance of \$1,498,887 was exposed to custodial credit risk as discussed below while \$200,000 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

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

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

**NOTE 5 - DEPOSITS AND INVESTMENTS – (CONTINUED)**

Investments - As of June 30, 2008, the District had the following investments:

	Fair Value	Maturity
Federal Home Loan Mortgage Corp.	\$302,049	11/14/11
Federal Home Loan Mortgage Corp.	301,581	10/01/10
Federal Home Loan Mortgage Corp.	199,138	8/12/10
Federal Home Loan Bank	301,314	9/10/10
Federal Home Loan Bank	200,438	11/13/09
Federal Home Loan Bank	301,782	11/19/10
U.S. Treasury Money Market Fund	548,168	Less than 90 days
STAR Ohio	2,286,832	
 Total Investments	 \$4,441,572	

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The investment policy restricts the Treasurer from investing in anything other than as identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the District.

The Federal Home Loan Bank Bonds carry a rating of AAA by Moody's and Standard and Poor's. STAR Ohio carries a rating of AAA by Standard and Poor's. The Federal Home Loan Mortgage Corporation Bond carries a rating of AAA by Moody's and Standard and Poor's. The U.S. Treasury Money Market Fund carries an AAA rating by Standard and Poor's.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has limited custodial risk on the above investments as they are held in the District's name by its agent. The District has no investment policy dealing with custodial credit risk beyond the requirements of State statute which prohibit payment for investments prior to the delivery of the securities representing the investments to the treasurer or qualified trustee.

The District places no limit on the amount it may invest in any one issuer.

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 25 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 6.25 percent of true value.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

**NOTE 6 - PROPERTY TAXES – (CONTINUED)**

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Wood and Ottawa Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2008. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue.

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

	<u>2006 Second-Half Collections</u>		<u>2007 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent (%)</u>	<u>Amount</u>	<u>Percent (%)</u>
Agricultural/Residential and Other Real Estate	\$217,007,090	87.82	\$217,647,690	92.49
Public Utility	14,895,490	6.03	12,159,220	2.17
Tangible Personal Property	<u>15,188,912</u>	<u>6.15</u>	<u>5,498,826</u>	<u>2.34</u>
Total Assessed Value	<u>\$247,091,492</u>	<u>100.00</u>	<u>\$235,305,736</u>	<u>100.00</u>
Total rate per \$1,000 of assessed valuation	\$62.25		\$61.95	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2008, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), accrued interest, 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.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

**NOTE 7 – RECEIVABLES – (CONTINUED)**

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Lunch Room Fund	\$22,642

**NOTE 8 - CAPITAL ASSETS**

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

	<u>Balance at 6/30/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/08</u>
Governmental Activities				
Non Depreciable Capital Assets				
Construction in Progress	\$81,941	\$500,606	\$81,941	\$500,606
Land	909,400			909,400
<b>Total Non Depreciable Capital Assets</b>	<b>991,341</b>		<b>81,941</b>	<b>1,410,006</b>
Depreciable Capital Assets				
Land improvements	2,692,677	18,538	28,899	2,682,316
Buildings and building improvements	19,415,677	537,411	193,780	19,759,308
Furniture, fixtures, and equipment	1,314,379	60,811	13,222	1,361,968
Vehicles	1,398,361	377,400	164,892	1,610,869
Library and textbooks	480,888			480,888
<b>Total Depreciable Capital Assets</b>	<b>25,301,982</b>	<b>994,160</b>	<b>400,793</b>	<b>25,895,349</b>
Less Accumulated Depreciation				
Land improvements	1,158,503	102,197	19,253	1,241,447
Buildings and building improvements	6,569,367	526,916	193,781	6,902,502
Furniture, fixtures, and equipment	372,504	87,179	11,264	784,419
Vehicles	1,167,523	126,190	164,892	1,128,821
Library and textbooks	437,943	17,178		455,121
<b>Total Accumulated Depreciation</b>	<b>10,005,840</b>	<b>859,660</b>	<b>389,190</b>	<b>10,476,310</b>
<b>Depreciable Capital Assets, Net</b>	<b>15,296,142</b>	<b>134,500</b>	<b>(11,603)</b>	<b>15,419,039</b>
Government Activities				
Capital Assets, Net	<b>\$16,287,483</b>	<b>\$635,106</b>	<b>\$93,544</b>	<b>\$16,829,045</b>

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

**NOTE 8 - CAPITAL ASSETS – (CONTINUED)**

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$602,733
Special	1,679
Vocational Education	469
Support Services:	
Instructional staff	12,378
Administration	3,391
Fiscal	769
Operation and maintenance of plant	42,626
Pupil transportation	120,000
Central	4,537
Non-instructional services	11,179
Extracurricular activities	53,980
Building improvement	<u>5,919</u>
Total Depreciation Expense	<u>\$859,660</u>

**NOTE 9 - RISK MANAGEMENT**

The 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. The District maintains comprehensive insurance coverage through Northwest Ohio Educational Council Self Insurance Pool, an insurance purchasing pool (See Note 18), for the areas described below.

Property Damage	\$50,000,000
Commercial General Liability	
General Aggregate	3,000,000
Each Occurrence	1,000,000
Automobile Liability	1,000,000
School Board Legal Liability	1,000,000
Employee Benefits Liability	
Aggregate	3,000,000
Each Occurrence	1,000,000

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

**NOTE 9 - RISK MANAGEMENT – (CONTINUED)**

There have been no significant reductions in insurance coverage from fiscal year 2007, and settled claims, if any, have not exceeded coverage in any of the past three years.

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

The District is a member of a cooperative group of Wood County Schools established to provide a self-insurance fund to pay medical/surgical, and prescription drug benefits of employees and their covered dependents. The medical insurance program operates under the control of a Board of Trustees representing the member school and is administered by Medical Mutual of Ohio. The plan provides a medical/surgical plan with a \$100 single and \$200 family deductible. The plan also provides prescription drug care through the major medical portion of the plan. Dental care is provided through Medical Mutual of Ohio and vision insurance through Vision Service Plan. For further information regarding the insurance consortium, refer to Note 18 to the basic financial statements.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employee Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$147,151, \$153,801 and \$137,240 respectively; 34.30 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

**NOTE 10 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)**

**B. State Teachers Retirement System**

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

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

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, were \$741,879, \$694,975, and \$667,797 respectively; 81.55 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$798,947 made by the District and \$570,676 made by the plan members.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

**NOTE 10 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)**

**C. Social Security System**

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

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$22,849.

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

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$77,752, \$47,811, and \$43,948 respectively; 34.30 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$10,603, \$9,793, and \$8,302 respectively; 34.30 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.



**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

**NOTE 11 - POSTEMPLOYMENT BENEFITS – (CONTINUED)**

**B. State Teachers Retirement System**

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$57,068, \$53,460, and \$51,369 respectively; 81.55 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**NOTE 12 - COMPENSATED ABSENCES**

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 270 days for classified, 290 days for certified, and 305 days for administrators. A percentage of unused sick time is paid at retirement at a rate of 25 percent of accumulated sick leave at the daily rate of pay being received at the time of final service. The entire compensated absences liability is reported on the government-wide financial statements. On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due during the current period. The non-current portion of the liability is not reported.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

**NOTE 13 - OPERATING LEASES**

The District is obligated under an operating lease agreement with Ricoh Business Solutions for copiers. This agreement does not give rise to property rights and are not reflected on the District's Statement of Net Assets. The minimum quarterly payments are \$11,475 for the copier. The future rental payments are as follows:

Year Ending <u>June 30,</u>	Copier Lease <u>Amount</u>
2009	\$45,904
2010	45,904
2011	45,904
2012	45,904
2013	<u>22,952</u>
Total	<u>206,568</u>

**NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE**

The District has entered into a capitalized lease for school buses. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The capital lease consisting of school buses has been capitalized in the Statement of Net Assets. The amounts recorded represent the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the statement of net assets. Payments in fiscal year 2008 totaled \$103,910 in the governmental funds.

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

Fiscal Year Ending June 30,	Governmental <u>Activities</u>
2009	\$103,910
2010	103,910
2011	<u>103,910</u>
Total	\$311,730
Less amount representing interest:	<u>38,240</u>
Present value of Net Minimum Loss Payments	<u>\$273,490</u>

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

**NOTE 15 - LONG-TERM OBLIGATIONS**

The changes in the District's long-term obligations during fiscal year 2008 were as follows:

	Balance Outstanding <u>6/30/07</u>	<u>Additions</u>	<u>Deductions</u>	Balance Outstanding <u>6/30/08</u>	Amounts Due in <u>One Year</u>
General Obligation Bonds:					
Middle School Bonds					
Interest Rate 4.2% - 5.2%	\$ 2,990,000		\$ 480,000	\$ 2,510,000	\$ 500,000
Capital Appreciation Bonds	444,995			444,995	
Accretion on Capital					
Appreciation Bonds	432,235	\$45,747		477,982	
2007 Refunding					
Serial Bonds 4.0%	7,380,000		190,000	7,190,000	145,000
Term Bonds 4.0%	1,185,000			1,185,000	
Capital Appreciation Bonds	574,990			574,990	
Accretion on Capital					
Appreciation Bonds	28,873	90,732		119,605	
Unamortized Premium	776,696		41,795	734,901	
High School Bonds					
Interest Rate - 2.25%-3.0%	575,000		275,000	300,000	285,000
Unamortized Premium	70,049		24,723	45,326	
Energy Conservation					
Improvement Bonds					
Interest Rate - 4.125%	-	<u>850,000</u>	-	<u>850,000</u>	<u>70,259</u>
 Total Long Term Bonds and Notes	 14,457,838	 986,479	 1,011,518	 14,432,799	 1,000,259
 Capital Leases		377,400	103,910	273,490	85,203
Compensated Absences	<u>1,048,048</u>	<u>18,546</u>	-	<u>1,066,593</u>	<u>5,556</u>
 Total Governmental Activities Long Term Obligations	 <u>\$15,505,886</u>	 <u>\$1,382,425</u>	 <u>\$1,115,428</u>	 <u>\$15,772,882</u>	 <u>\$1,091,018</u>

General Obligation Bonds - All general obligation bonds are supported by the full faith and credit of Lake Local School District. General obligation bonds will be paid from property taxes out of the Bond Retirement debt service fund. The District refunded, on January 25, 2007, some of the Middle School Renovation Bonds by issuing \$9,139,990 in new bonds at a lower interest rate. This advance refunding was undertaken to reduce the combined total debt service over the next 19 years by \$1,034,091 and resulted in an economic gain of \$521,071.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

**NOTE 15 - LONG-TERM OBLIGATIONS – (CONTINUED)**

Compensated Absences Payable - The compensated absences liability will be paid from the General fund and the Food Service fund. Additions and deletions of compensated absences are shown net since it is impractical for the District to determine these amounts separately.

Capital Leases Payable - Capital lease obligations will be paid from the fund that maintains custody of the related asset.

Annual Long-Term Debt Obligation Summary - The following is a summary of the District's future annual debt service requirements for governmental activities:

<u>Year Ending June 30,</u>	<u>High School Bonds</u>		<u>Middle School Renovation Bonds-2001</u>		<u>Energy Conservation Improvement Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$285,000	\$ 4,276	\$ 500,000	\$ 103,880	\$ 70,259	\$ 34,354
2010	15,000	185,000	520,000	81,690	73,187	31,426
2011			540,000	58,100	76,237	28,376
2012			575,000	32,725	79,347	25,266
2013			231,586	382,914	82,721	21,892
2014 - 2018			<u>588,409</u>	<u>430,341</u>	<u>468,249</u>	<u>54,816</u>
 Total	 <u>\$300,000</u>	 <u>\$189,276</u>	 <u>\$2,954,995</u>	 <u>\$1,089,650</u>	 <u>\$850,000</u>	 <u>\$196,130</u>

<u>Year Ending June 30,</u>	<u>Middle School Renovation Refunding Bonds - 2007</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$145,000	\$332,100
2010	155,000	326,100
2011	160,000	319,800
2012	165,000	313,300
2013	170,000	306,600
2014 - 2018	1,539,990	2,862,910
2019 - 2023	4,430,000	893,600
2024 – 2026	<u>2,185,000</u>	<u>97,300</u>
 Total	 <u>\$8,949,990</u>	 <u>\$5,451,710</u>

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

**NOTE 16 - STATUTORY RESERVES**

The District is required by state statute to annually set aside in the general fund an amount based on a statutory formula for the purpose of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purpose in future years. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2003 and after, only the unspent portion of certain workers' compensation refunds is required to be set aside at fiscal year end.

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Restated Balance 7/1/2007	\$ 342,613		\$ 22,919	\$ 365,532
Required Set-Aside	233,559	\$233,559		467,118
Current Year Offsets Qualifying Expenditures	<u>(342,617)</u>	<u>(1,184,251)</u>	<u>-</u>	<u>(1,258,479)</u>
 Total	 <u>\$ 233,555</u>	 <u>\$(950,722)</u>	 <u>\$ 22,919</u>	 <u>\$ (694,248)</u>
 Cash balance carried forward to following year 2008	 <u>\$ 233,555</u>	 <u>\$ -</u>	 <u>\$ 22,919</u>	 <u>\$ 256,474</u>

Although the District has off-sets and qualifying disbursements during the year that reduced the set-aside below zero, the amount for capital maintenance may not be used to reduce the set-aside requirements of future years.

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended Ohio Revised Code § 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. S.B. 345 places special restrictions on the use of Bureau of Workers Compensation (BWC) rebate money remaining in the budget stabilization as of April 10, 2001, which is \$22,919 at June 30, 2008. The District is still required by state law to maintain the textbook and capital maintenance reserve.

Amount restricted for textbooks	\$233,555
Amount restricted for budget stabilization	<u>22,919</u>
 Total restricted assets	 <u>\$256,474</u>

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA) which is a computer consortium. NWOCA is an association of education entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood counties in northwestern Ohio. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, Lucas, Williams, and Wood counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity.

Total disbursements made by the District to Northern Buckeye Education Council during this fiscal year were approximately \$86,972. These payments include services for NWOCA. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

Penta Career Center

The Penta Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each city and exempted village district and seven representatives from the county boards who represent the local districts. This board possesses its own budgeting and taxing authority. To obtain financial information write to the Penta Career Center, Carrie Herringshaw, who serves as Treasurer, at 30095 Oregon Road, Perrysburg, Ohio 43551-4594.

NW Ohio Educational Council (NWOEC)

The NWOEC was established to foster cooperation among various school districts within Ohio that participate in the Northwest Ohio Educational Council Self-Insurance Pool Program (NWOEC Program). NWOEC is organized under 167.01 of the Ohio Revised Code as a regional council of governments pursuant to a written agreement entered into by its members and by policies adopted by the member school districts. The nine member Insurance Committee conducts the business and affairs of the NWOEC program.

Ohio Schools Council

The Ohio Schools Council is a jointly governed organization established under Chapter 167, Revised Code. The Council was created by school districts for the purpose of saving money through volume purchases. The Council consists of 108 school districts throughout Ohio. Each school district member superintendent serves as a representative of the Assembly. The Assembly is the legislative body of the Council. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

**NOTE 18 - INSURANCE PURCHASING POOL**

Ohio Association of School Business Officials Group Rating Program

The District participates in the Ohio Association of School Business Officials Group Rating Program, a workers' compensation insurance group purchasing pool. Each year, the participating school districts pay an enrollment fee to cover the costs of administering the program.

Wood County Insurance Consortium

The Wood County Insurance Consortium (WCIC) is a public entity shared risk pool consisting of six local school districts, two exempted village school districts, a city school district, a joint vocational school, and the Educational Service Center. WCIC is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and other benefits to the employees of the participating entities. Each participating entity's superintendent is appointed to an Administrative Committee which advises the Trustee, Huntington Bank, concerning aspects of the administration of the WCIC.

Each entity decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the WCIC is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Medical Mutual of Ohio, P.O. Box 943, Toledo, Ohio 43656.

Northwest Ohio Educational Council Self Insurance Pool

The District participates in the Northwest Ohio Educational Council Self Insurance Pool (Pool), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Pool is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a board consisting of superintendents, treasurers, and other. Financial information can be obtained from Paul Brotzki, Treasurer of Maumee City Schools, 2345 Detroit Avenue, Maumee, OH 43437.

**NOTE 19 - CONTINGENCIES**

Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and 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 District at June 30, 2008.

LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)

**NOTE 19 – CONTINGENCIES – (CONTINUED)**

Litigation

The District is of the opinion that any current or future claims will either result in a favorable outcome or be covered by current policies, so as not to materially affect financial position of the District.

**NOTE 20 – INTERFUND TRANSFERS**

During fiscal year 2008, the General Fund made a transfer in the amount of \$62,582 to the Title I fund, to subsidize the federal program.



**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2008**

<b>FEDERAL GRANTOR Pass Through Grantor Program Title</b>	Federal CFDA Number	Cash Receipts	Non-Cash Receipts	Cash Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
<i>Passed Through Ohio Department of Education</i>					
Food Donation Program	10.550		\$55,239		\$55,239
<i>Nutrition Cluster:</i>					
School Breakfast Program	10.553	\$29,341		\$29,341	
National School Lunch Program	10.555	179,534		179,534	
Total Nutrition Cluster		<u>208,875</u>		<u>208,875</u>	
Total U.S. Department of Agriculture		<u><b>208,875</b></u>	<u><b>55,239</b></u>	<u><b>208,875</b></u>	<u><b>55,239</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>					
<i>Passed Through Ohio Department of Education</i>					
Title I Grants to Local Educational Agencies	84.010	206,419		208,398	
State Grants for Innovative Programs	84.298	2,104		7,277	
Safe and Drug Free Schools and Communities - State Grants	84.186	6,736		5,432	
Improving Teacher Quality State Grants	84.367	65,240		72,864	
Education Technology State Grants	84.318	1,830		1,535	
Special Education Grants to States	84.027	404,257		368,065	
Total U.S. Department of Education		<u><b>686,586</b></u>		<u><b>663,571</b></u>	
<b>Total Federal Awards Receipts and Expenditures</b>		<u><b>\$895,461</b></u>	<u><b>55,239</b></u>	<u><b>872,446</b></u>	<u><b>55,239</b></u>

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

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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



# Mary Taylor, CPA

Auditor of State

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

Lake Local School District  
Wood County  
28090 Lemoyne Road  
Millbury, Ohio 43447-9747

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lake Local School District, Wood County, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

One Government Center / Room 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

We consider findings 2008-001 through 2008-003 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings 2008-002 and 2008-003 are also material weaknesses.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated March 17, 2009.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-004.

We also noted certain noncompliance matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 17, 2009.

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

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



**Mary Taylor, CPA**  
Auditor of State

March 17, 2009



# Mary Taylor, CPA

Auditor of State

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

Lake Local School District  
Wood County  
28090 Lemoyne Road  
Millbury, Ohio 43447-9747

To the Board of Education:

### Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 Lake Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

### Internal Control Over Compliance

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

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

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

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

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



**Mary Taylor, CPA**  
Auditor of State

March 17, 2009

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

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

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control 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 Grants to States 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**

**FINDING NUMBER 2008-001**

**Significant Deficiency**

**Athletic and Student Activity Collection and Fundraising Activities**

The District requires a Lake School Fundraiser Project Report (the Report) to be completed for each fundraiser. Of the forms completed, twenty three percent (4) had vague or no information regarding projected income, expenses and profit, forty seven percent (8) of the sales had not been approved by the building principal prior to the start of the sale and/or after the sale and thirty five percent (6) did not have the summary of actual receipts and expenditures completed. In addition, fourteen class shirt sales and four ticket (admission) sales did not have any form completed. Extracurricular activity receipts totaled \$215,326 for the Athletic Activity Fund and \$38,067 for the Student Activity Agency Fund. A portion of these revenues include the collection of fundraising activities and fees by the advisors. Incomplete or unsupported Reports reduce accountability over fund raiser projects and can impact the financial statements by leaving the potential for unknown misstatements due to a lack of supporting documentation. We recommend the Report be completed for all receipts into the student activity and athletic funds regardless if it is for a “fundraiser” or collection of fees. The advisors should document and track all items ordered, cash received from students and cash turned in to the office. In the case of fundraisers which are limited to admission sales, we recommend a ticket inventory sheet be attached to the report to substantiate the receipts collected. All supporting documentation should be stored and kept for audit purposes.

**Official’s Response**

The Treasurer’s office personnel will review all fund raising procedures with the Building Principals, Student Activity Director, Athletic Director, Coaches, Activity Advisors, and those teachers who conduct fund raisers. This will include a signoff sheet designating that they have read the District’s Student Activities Fund Raising Handbook, and understand the correct procedures and their responsibilities.

**FINDING NUMBER 2008-002**

**Material Weakness**

**Budgetary**

The budgeted amounts on the schedule of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual – General Fund (budget vs. actual statement) should agree to the accounting system and to the legally adopted appropriations and estimated receipts approved by the Board and authorized by the County Budget Commission. The budget vs. actual statement did agree to the accounting system, but the accounting system was not updated throughout the year to reflect budgetary amendments made. This resulted in an audit adjustment of \$1,164,024 to the final budget revenue column of the budget vs. actual statement. We also noted additional smaller variances that did not require adjustment to the financial statements.

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



**FINDING NUMBER 2008-002  
(Continued)**

To ensure the Board's financial statements and notes to the statements are complete and accurate, the Treasurer should post all budgetary amendments to the USAS accounting system and perform a reconciliation to ensure the accounting system is reporting the legally approved budget.

**Official's Response**

The Treasurer will enter the revenue budget when changes are made.

**FINDING NUMBER 2008-003**

**Material Weakness**

**Capital Assets**

The District's capital asset policy requires capitalizing all assets with a value over \$2,000. Our testing of capital assets noted \$60,412 worth of assets that were capitalized, but did not exceed the District's capitalization threshold of \$2,000 or were recorded to the wrong asset class. We also noted \$539,073 worth of capital assets and construction in progress that exceeded the \$2,000 threshold, but were not capitalized or were recorded to the wrong asset class. This resulted in a net audit adjustment to capital assets of \$478,661 and to the expenditure account from which the assets were purchased.

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

To ensure the Board's financial statements and notes to the statements are complete and accurate, the Board should adopt policies and procedures, including a final review of the financial statements by the Treasurer to identify and correct errors and omissions.

**Official's Response**

The Treasurer will review work-in-process procedures for future long term construction projects and assure capital assets are properly recorded in the financial statements.

**FINDING NUMBER 2008-004**

**Noncompliance Citation**

**Ohio Revised Code § 5705.41(B)** prohibits a subdivision from making an expenditure unless it has been properly appropriated.

Our testing of budgetary compliance throughout the year identified the following instances in which expenditures (cash disbursements plus encumbrances) exceeded appropriations as of May 31, 2008:

Fund	Appropriations	Expenditures	Outstanding Encumbrances	Total Budgetary Expenditures	Total Expenditures in excess of Appropriations
003 Permanent Improvement	\$900,647	\$1,107,092	\$821,063	\$1,928,155	(\$1,027,508)
006 Food Service	\$499,610	\$473,584	\$105,000	\$578,584	(\$78,974)
516 Title VI-B	\$370,000	\$367,450	\$36,807	\$404,257	(\$34,257)
572 Title I	\$206,419	\$250,350	\$844	\$251,194	(\$44,775)

Management was advised the failure to have adequate appropriations in place at the time expenditures are being made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Treasurer may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**Official's Response**

The Treasurer will review expenditure totals plus outstanding encumbrances and make sure they are within appropriations.

**3. FINDINGS FOR FEDERAL AWARDS**

None

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-001	Budgeted Receipts were not properly posted to the USAS accounting system.	No	Partially corrected. Similar Finding reported as # 2008-002 in this report.





**Mary Taylor, CPA**  
Auditor of State

**LAKE LOCAL SCHOOL DISTRICT**

**WOOD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 2, 2009**