



**Mary Taylor, CPA**  
Auditor of State



**LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY**

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STARK COUNTY

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lake Local School District, Stark County, Ohio, as of June 30, 2009, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



**Robert R. Hinkle, CPA**  
Chief Deputy Auditor

January 15, 2010

**Lake Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*

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The discussion and analysis of the Lake Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers should review the notes to the financial statements as well as the financial statements themselves to enhance their understanding of the School District's finances.

***Financial Highlights***

Key Financial Highlights for 2009 are as follows:

- ❑ General Revenues accounted for \$31.3 million in revenue or 84.5% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5.7 million or 15.5% of total revenues of \$37.0 million.
- ❑ Total program expenses were \$34.9 million, \$33.6 million in Governmental Activities, \$1.3 million in Business Type Activities.
- ❑ In total, net assets increased \$2.1 million which is \$.5 million over fiscal year 2008. Net assets of governmental activities increased \$2.0 million, and net assets of business-type activities increased less than \$.1 million from 2008.
- ❑ Long term debt and related charges decreased \$.8 million through payments of principal and related liabilities of \$1.0 million and an increase in accretion of \$.2 million.

**Using this Annual Report**

This annual report consists of the MD&A, the basic financial statements and the notes to the basic financial statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Lake Local School District, the general fund and debt service funds are the most significant funds.

***Reporting the School District as a Whole***

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2009?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Lake Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*

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

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

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

The government-wide financial statements begin on page 13.

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

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

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

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



**Lake Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*

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

The governmental fund financial statements begin on page 16.

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

The proprietary fund financial statements begin on page 21.

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

The fiduciary fund financial statements begin on page 24.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 25.

**Lake Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2009

**The School District as a Whole**

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

Table 1 provides a summary of the School District's net assets for 2009 compared to 2008:

**(Table 1)**  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Assets</b>						
Current and Other Assets	\$ 24,461,810	\$ 23,531,482	\$ 471,857	\$ 427,864	\$ 24,933,667	\$ 23,959,346
Capital Assets	36,774,625	36,436,649	192,486	182,293	36,967,111	36,618,942
Total Assets	61,236,435	59,968,131	664,343	610,157	61,900,778	60,578,288
<b>Liabilities</b>						
Long-Term Liabilities	26,602,730	27,319,700	15,451	14,043	26,618,181	27,333,743
Other Liabilities	17,670,925	17,734,439	123,922	113,044	17,794,847	17,847,483
Total Liabilities	44,273,655	45,054,139	139,373	127,087	44,413,028	45,181,226
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	12,435,597	11,605,168	192,486	182,293	12,628,083	11,787,461
Restricted	1,655,207	1,609,548	0	0	1,655,207	1,609,548
Unrestricted	2,871,976	1,699,276	332,484	300,777	3,204,460	2,000,053
Total Net Assets	<u>\$ 16,962,780</u>	<u>\$ 14,913,992</u>	<u>\$ 524,970</u>	<u>\$ 483,070</u>	<u>\$ 17,487,750</u>	<u>\$ 15,397,062</u>

Total net assets increased by \$2.1 million with governmental activities comprising most of that amount. Assets increased \$1.3 million and liabilities decreased \$.8 million. Capital asset acquisitions exceeded depreciation for a \$.3 million increase over 2008. The timing of receipts and expenses contributed to a \$1.0 million increase in cash. Principal payments of debt and related charges of \$1.0 million account for a large portion of the decrease in liabilities.

**Lake Local School District**  
*Management's Discussion and Analysis*  
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Table 2 shows the changes in net assets for fiscal year 2009 compared to 2008.

**(Table 2)**  
**Governmental and Business-Type Activities**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services	\$ 705,780	\$ 767,716	\$ 1,041,202	\$ 986,644	\$ 1,746,982	\$ 1,754,360
Operating Grants	2,486,630	2,564,795	346,487	314,463	2,833,117	2,879,258
Capital Grants and Contributions	1,154,369	508	0	0	1,154,369	508
<i>General Revenue:</i>						
Property Taxes	14,793,098	14,994,324	0	0	14,793,098	14,994,324
Grants and Entitlements	16,316,546	15,514,645	0	0	16,316,546	15,514,645
Other Revenue	156,582	476,264	3,634	12,757	160,216	489,021
<b>Total Revenues</b>	<b>35,613,005</b>	<b>34,318,252</b>	<b>1,391,323</b>	<b>1,313,864</b>	<b>37,004,328</b>	<b>35,632,116</b>
<b>Program Expenses</b>						
Instruction	18,827,218	17,818,675	0	0	18,827,218	17,818,675
Support Services	11,992,048	12,149,928	0	0	11,992,048	12,149,928
Operation of Non-Instructional	560,413	480,183	0	0	560,413	480,183
Extracurricular Activities	866,427	972,198	0	0	866,427	972,198
Interest and Fiscal Charges	1,318,111	1,337,358	0	0	1,318,111	1,337,358
Enterprise Funds	0	0	1,349,423	1,317,060	1,349,423	1,317,060
<b>Total Expenses</b>	<b>33,564,217</b>	<b>32,758,342</b>	<b>1,349,423</b>	<b>1,317,060</b>	<b>34,913,640</b>	<b>34,075,402</b>
Increase (Decrease) in Net Assets before Transfers	2,048,788	1,559,910	41,900	(3,196)	2,090,688	1,556,714
Net Transfers	0	1,826	0	(1,826)	0	0
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 2,048,788</b>	<b>\$ 1,561,736</b>	<b>\$ 41,900</b>	<b>\$ (5,022)</b>	<b>\$ 2,090,688</b>	<b>\$ 1,556,714</b>

Net assets in the governmental activities increased \$2.0 million over fiscal year 2008. Revenues increased \$1.3 million over fiscal year 2008 mainly in grants and entitlements and donations. The School District received \$1.2 million in donated capital assets. While total program expenses remained fairly consistent, instructional expenses increased nearly \$1.0 million through annual pay and step increases.

Net assets in the business-type activities increased \$.04 million over fiscal year 2008.

**Lake Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*

**Governmental Activities**

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

**(Table 3)**  
**Governmental Activities**

	2009		2008	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 18,827,218	\$ 16,722,054	\$ 17,818,675	\$ 15,659,921
Support Services:				
Pupil and Instructional Staff	2,442,372	2,353,218	2,562,845	2,389,781
Board of Education, Administration, Fiscal and Business	3,432,819	3,244,736	3,333,177	3,177,582
Operation and Maintenance of Plant	3,997,315	3,982,147	3,809,128	3,793,620
Pupil Transportation	1,956,690	1,956,690	2,280,037	2,280,037
Central	162,852	74,849	164,741	85,754
Operation of Non-Instructional	560,413	101,878	480,183	16,066
Extracurricular Activities	866,427	(536,245)	972,198	685,204
Interest and Fiscal Charges	1,318,111	1,318,111	1,337,358	1,337,358
<b>Total Expenses</b>	<b>\$ 33,564,217</b>	<b>\$ 29,217,438</b>	<b>\$ 32,758,342</b>	<b>\$ 29,425,323</b>

Instruction and Student Support Services comprise 63.4% of governmental program expenses. Interest and fiscal charges were approximately 4.0%. Interest expense was attributable to the outstanding general obligation bonds and costs related to the refunding. Pupil transportation and the operation and maintenance of facilities accounts for 17.7% of governmental program expenses.

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

**Business-Type Activities**

Business-type activities include our adult and supplemental education programs, the food service operation and the sale of uniform school supplies. These programs had total revenues of \$1.4 million and expenses of \$1.3 million for fiscal year 2009.

**Lake Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*

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**Financial Analysis of the Government's Funds**

***Governmental Funds***

The focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the School District's net resources available for spending at year-end.

The School District's governmental funds (as presented on the balance sheet on page 16) reported a total fund balance of \$6.0 million, which is \$.9 million more than last year's balance of \$5.1 million. The most significant changes within the School District's major funds was reported in the general fund with an increase in fund balance of \$.8 million.

***General Fund***

The general fund is the main operating fund of the School District. At the end of 2009, the fund balance in the general fund was \$4.4 million, which is an increase of \$.8 million from 2008. An increase in state foundation revenue and personal property tax loss reimbursement contributed to revenues exceeding expenditures during fiscal year 2009.

***Debt Service Fund***

The debt service fund is the School District fund that accumulates tax revenues to pay general obligation bonds. At the end of 2009, the fund balance in the debt service fund was \$1.2 million, which is an insignificant increase of less than \$44,000 from 2008.

***General Fund Budgeting Highlights***

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

For the general fund, original budget basis revenue was \$23,000 less than final budget basis revenue with insignificant variations in different revenue categories.

General fund final budget expenditures were \$30.0 million, \$.2 million under the \$30.2 million in the original budget with no large difference in any expenditure line items. Actual revenues and expenditures were in-line with final budgeted revenues and expenditures.

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2009, the School District had \$37.0 million invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. Table 4 shows fiscal year 2009 balances compared with 2008.

**Lake Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2009

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 2,993,257	\$ 2,993,257	\$ 0	\$ 0	\$ 2,993,257	\$ 2,993,257
Land Improvements	825,832	0	0	0	825,832	0
Buildings and Improvements	29,830,795	30,425,514	0	0	29,830,795	30,425,514
Furniture and Equipment	1,951,212	1,902,474	192,486	182,293	2,143,698	2,084,767
Vehicles	1,172,182	1,113,839	0	0	1,172,182	1,113,839
Textbooks	1,347	1,565	0	0	1,347	1,565
Totals	\$ 36,774,625	\$ 36,436,649	\$ 192,486	\$ 182,293	\$ 36,967,111	\$ 36,618,942

The \$.3 million increase in capital assets was attributable to acquisitions of equipment and vehicles exceeding depreciation and disposals. For additional information see Note 8.

**Debt**

At June 30, 2009, the School District had \$25.4 million in bonds outstanding with \$1.0 million due within one year. During fiscal year 2009, \$1.0 million of general obligation bonds were retired and \$.3 million of accretion was recorded. For additional information see Note 13. Table 5 summarizes bonds outstanding.

**(Table 5)**  
**Outstanding Debt and Related Charges, at June 30**

	Governmental Activities	
	2009	2008
General Obligation Bonds:		
2000 Improvement 5.8%	\$ 1,640,000	\$ 1,640,000
2000 Capital Appreciation Bonds	0	205,760
2000 Capital Appreciation Bonds - Accretion	0	529,389
2003 Real Estate Acquisition 3.79%	0	50,000
2005 Refunding	19,835,000	20,040,000
2005 Capital Appreciation Bonds	954,950	954,950
2005 Capital Appreciation Bonds - Accretion	814,914	568,400
2005 Unamortized Bond Premium	2,125,216	2,146,912
	\$ 25,370,080	\$ 26,135,411

**Lake Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*

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**Current Issues**

The Lake Local School District (the "School District") continues to provide and be recognized for providing a quality education for our students in a closely monitored and cost controlled environment.

During FY09, the School District received the State's highest designation, "Excellent with Distinction", having met 30 out of 30 state indicators. This is the second year that the School District has received this distinction and follows three consecutive years with a rating of "Excellent" demonstrating Lake's continued commitment to our stakeholders. Our Performance Index of 106.4 is down slightly versus last year's index of 107.2; however, it still places the School District 23rd out of 614 (top 3.75%) public school districts in the State. In addition, Lake met all indicators for Adequate Yearly Progress (AYP) and was recognized at Performance Above Expected Growth on the Overall Composite Value Added Measure.

Effective July 2006, the School District entered into a new negotiated contract with our certificated staff through June 2010. This agreement grandfathered a negotiated wage increase of 3.5% for FY07 to be consistent with our then current classified agreement but caps negotiated increases in each of the next three years at 3.0%. The most significant aspect of this agreement is that it called for increased cost sharing of our employees relative to the rapidly increasing expense of medical/dental insurance coverage. Over the past five years the School District's medical/dental insurance premium has increased an average of 9.1% annually. Effective with FY09, employees contributed 10% to the School District's medical premium. This is a significant contribution on the part of our employees and one that will focus everyone's attention on the need to control the increase in the cost of coverage. Our classified staff approved a similar negotiated agreement effective July 2007 through June 2011.

The School District, like most districts throughout the State, continues to rely heavily on local property taxes for the continued support of public education. During FY09, approximately 44% of our total revenue was derived from local sources. Passage of the School District's 11.1 mill operating levy in February 2006 was designed to allow the School District to operate through FY10 and has provided numerous opportunities to expand upon the School District's Excellence. However, in light of the current economic circumstances and continued uncertainty relative to Foundation funding from the State, the School District is monitoring all funding scenarios and prudently providing the necessary resources to maintain our current level of "Excellent with Distinction" in both curricular and extra-curricular programs.

**Lake Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*

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As a result of the State's tobacco securitization financing initiated by Governor Strickland and approved by the Ohio General Assembly, the School District was notified in August 2007 that it qualified to participate with the State as a partner in a Classroom Facilities Assistance Program (CFAP) Project. The School District's participation was approved by the Ohio School Facilities Commission in July 2008 and by the State Controlling Board in August 2008. In the meantime the School District formed a Facility Design Team consisting of community leaders and members of the School District administrative team to work with our selected architect and the state appointed construction manager relative to the initial planning and design phase of the project. The CFAP Project, including \$1.5 million in School District Locally Funded Initiatives (LFIs), totaled \$71.0 million with \$41.2 million (58%) funded by the State and \$29.8 million (42%) funded by the School District. The School District's Master Plan which included both new construction and major renovation was designed to meet the needs of the entire School District. The School District placed the 4.4 mill bond issue along with a 0.5 mill permanent improvement levy on the ballot for the February 3<sup>rd</sup> Special Election. Unfortunately the issue was soundly defeated. Although we felt that we had the right Master Plan and ran a strong campaign, the overall consensus seemed to be that the School District was a victim of the current economic recession. Due to a perceived continuing economic decline, the Board and the Administration decided not to put the issue back on the ballot in either the May Primary or August Special Election resulting in the School District's declaration as a "lapsed" district. The School District is currently considering various options to meet its long term facility needs in order to address both overcrowding and necessary major capital improvements.

In summary, the School District has and must continue to implement systems for both budgetary and internal control purposes in order to efficiently allocate and deliver available financial resources. The School District provides a quality educational program with a limited availability of financial assistance. All of the School District's resources will continue to be focused on meeting the needs of our stakeholders in this competitive marketplace, which is not only local, but world-wide.

***Contacting the School District's Financial Management***

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



## Lake Local School District

### Statement of Net Assets

June 30, 2009

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 9,614,323	\$ 423,364	\$ 10,037,687
Receivables:			
Taxes	14,474,864	0	14,474,864
Accounts	4,876	3,556	8,432
Internal Balances	265	(265)	0
Intergovernmental	125,838	32,087	157,925
Inventory	0	13,115	13,115
Deferred Charges - Issuance Costs	241,644	0	241,644
Nondepreciable Capital Assets	2,993,257	0	2,993,257
Depreciable Capital Assets (Net)	33,781,368	192,486	33,973,854
<i>Total Assets</i>	<u>61,236,435</u>	<u>664,343</u>	<u>61,900,778</u>
<b>Liabilities</b>			
Accounts Payable	207,331	3,086	210,417
Accrued Wages and Benefits	3,385,017	85,842	3,470,859
Intergovernmental Payable	855,339	34,994	890,333
Deferred Revenue	13,135,444	0	13,135,444
Accrued Interest Payable	87,794	0	87,794
Long Term Liabilities:			
Due Within One Year	1,312,065	2,743	1,314,808
Due in More Than One Year	25,290,665	12,708	25,303,373
<i>Total Liabilities</i>	<u>44,273,655</u>	<u>139,373</u>	<u>44,413,028</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	12,435,597	192,486	12,628,083
Restricted for:			
Capital Projects	110,181	0	110,181
Debt Service	1,228,762	0	1,228,762
Other Purposes	316,264	0	316,264
Unrestricted	2,871,976	332,484	3,204,460
<i>Total Net Assets</i>	<u>\$ 16,962,780</u>	<u>\$ 524,970</u>	<u>\$ 17,487,750</u>

See accompanying notes to the basic financial statements.

**Lake Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2009

Expenses	Program Revenues			
	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	
<b>Governmental Activities</b>				
Current:				
Instruction:				
Regular	\$ 14,067,708	\$ 171,864	\$ 168,667	\$ 0
Special	3,130,367	0	1,731,710	0
Vocational	448,123	0	32,923	0
Student Intervention	315,949	0	0	0
Other	865,071	0	0	0
Support services:				
Pupils	916,977	22,341	13,662	0
Instructional Staff	1,525,395	0	53,151	0
Board of Education	26,288	0	0	0
Administration	2,705,719	0	12,982	0
Fiscal	627,830	175,101	0	0
Business	72,982	0	0	0
Operation and Maintenance of Plant	3,997,315	0	15,000	168
Pupil Transportation	1,956,690	0	0	0
Central	162,852	88,003	0	0
Operation of Non-Instructional Services	560,413	0	458,535	0
Extracurricular Activities	866,427	248,471	0	1,154,201
Interest and Fiscal Charges	1,318,111	0	0	0
<i>Total Governmental Activities</i>	<u>33,564,217</u>	<u>705,780</u>	<u>2,486,630</u>	<u>1,154,369</u>
<b>Business-Type Activities</b>				
Food Service	1,023,289	717,586	346,487	0
Uniform School Supplies	134,984	157,533	0	0
Supplemental Education	191,150	166,083	0	0
<i>Total Business-Type Activities</i>	<u>1,349,423</u>	<u>1,041,202</u>	<u>346,487</u>	<u>0</u>
<i>Totals</i>	<u>\$ 34,913,640</u>	<u>\$ 1,746,982</u>	<u>\$ 2,833,117</u>	<u>\$ 1,154,369</u>

**General Revenues**

Property Taxes Levied for:  
General Purposes  
Debt Service  
Grants and Entitlements not Restricted  
to Specific Programs  
Investment Earnings  
Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (13,727,177)	\$ 0	\$ (13,727,177)
(1,398,657)	0	(1,398,657)
(415,200)	0	(415,200)
(315,949)	0	(315,949)
(865,071)	0	(865,071)
(880,974)	0	(880,974)
(1,472,244)	0	(1,472,244)
(26,288)	0	(26,288)
(2,692,737)	0	(2,692,737)
(452,729)	0	(452,729)
(72,982)	0	(72,982)
(3,982,147)	0	(3,982,147)
(1,956,690)	0	(1,956,690)
(74,849)	0	(74,849)
(101,878)	0	(101,878)
536,245	0	536,245
(1,318,111)	0	(1,318,111)
<u>(29,217,438)</u>	<u>0</u>	<u>(29,217,438)</u>
0	40,784	40,784
0	22,549	22,549
<u>0</u>	<u>(25,067)</u>	<u>(25,067)</u>
<u>0</u>	<u>38,266</u>	<u>38,266</u>
<u>(29,217,438)</u>	<u>38,266</u>	<u>(29,179,172)</u>
12,948,445	0	12,948,445
1,844,653	0	1,844,653
16,316,546	0	16,316,546
136,618	3,634	140,252
<u>19,964</u>	<u>0</u>	<u>19,964</u>
31,266,226	3,634	31,269,860
2,048,788	41,900	2,090,688
<u>14,913,992</u>	<u>483,070</u>	<u>15,397,062</u>
<u>\$ 16,962,780</u>	<u>\$ 524,970</u>	<u>\$ 17,487,750</u>

See accompanying notes to the basic financial statements.

**Lake Local School District**

*Balance Sheet  
Governmental Funds  
June 30, 2009*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 7,931,529	\$ 1,055,202	\$ 531,694	\$ 9,518,425
Cash and Cash Equivalents:				
Restricted Cash	95,898	0	0	95,898
Receivables:				
Taxes	12,624,835	1,850,029	0	14,474,864
Accounts	1,890	0	2,986	4,876
Interfund	48,223	0	0	48,223
Intergovernmental	17,929	0	107,909	125,838
<i>Total Assets</i>	<u>\$ 20,720,304</u>	<u>\$ 2,905,231</u>	<u>\$ 642,589</u>	<u>\$ 24,268,124</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 144,887	\$ 0	\$ 62,444	\$ 207,331
Accrued Wages and Benefits	3,314,357	0	70,660	3,385,017
Interfund Payable	0	0	47,958	47,958
Intergovernmental Payable	840,480	0	14,859	855,339
Deferred Revenue	11,984,724	1,751,589	37,661	13,773,974
<i>Total Liabilities</i>	16,284,448	1,751,589	233,582	18,269,619
<b>Fund Balances</b>				
Reserved for Encumbrances	667,483	0	49,076	716,559
Reserved for Tax Revenue Unavailable for Appropriation	658,040	98,440	0	756,480
Reserved for Budget Stabilization	95,898	0	0	95,898
Unreserved, Undesignated, Reported in:				
General Fund	3,014,435	0	0	3,014,435
Special Revenue Funds	0	0	255,200	255,200
Debt Service Fund	0	1,055,202	0	1,055,202
Capital Projects Funds	0	0	104,731	104,731
<i>Total Fund Balances</i>	<u>4,435,856</u>	<u>1,153,642</u>	<u>409,007</u>	<u>5,998,505</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 20,720,304</u>	<u>\$ 2,905,231</u>	<u>\$ 642,589</u>	<u>\$ 24,268,124</u>

See accompanying notes to the basic financial statements.

**Lake Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets Governmental Activities  
 June 30, 2009*

Total Governmental Fund Balances	\$	5,998,505
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		36,774,625
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Grants and Excess Costs	\$ 55,590	
Delinquent Property Taxes	582,940	638,530
Bond issuance costs reported as an expenditure in the funds are allocated as an expense over the life of the debt on an accrual basis.		241,644
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.		
General Obligation Bonds	21,475,000	
Capital Appreciation Bonds	954,950	
Accretion on Capital Appreciation Bonds	814,914	
Bond Premium	2,125,216	
Compensated Absences	1,207,144	
Capital Lease Payable	25,506	
Accrued Interest	87,794	(26,690,524)
Net Assets of Governmental Activities	\$	16,962,780

See accompanying notes to the basic financial statements.

**Lake Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2009*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 12,809,445	\$ 1,818,803	\$ 0	\$ 14,628,248
Intergovernmental	16,962,197	270,884	1,607,992	18,841,073
Investment Income	136,618	0	1,014	137,632
Tuition and Fees	158,425	0	12,217	170,642
Extracurricular Activities	2,074	0	357,963	360,037
Rentals	175,101	0	0	175,101
Miscellaneous	999	0	18,965	19,964
<i>Total Revenues</i>	30,244,859	2,089,687	1,998,151	34,332,697
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	13,682,804	0	195,456	13,878,260
Special	2,276,571	0	835,998	3,112,569
Vocational	423,167	0	31,136	454,303
Student Intervention	301,805	0	0	301,805
Other	881,020	0	0	881,020
Support Services:				
Pupils	912,344	0	37,087	949,431
Instructional Staff	1,449,146	0	54,661	1,503,807
Board of Education	26,288	0	0	26,288
Administration	2,667,751	0	10,112	2,677,863
Fiscal	593,578	29,092	0	622,670
Business	72,969	0	0	72,969
Operation and Maintenance of Plant	3,269,373	0	2,706	3,272,079
Pupil Transportation	2,022,818	0	0	2,022,818
Central	38,386	0	120,789	159,175
Operation of Non-Instructional Services	37,337	0	450,705	488,042
Extracurricular Activities	629,387	0	222,464	851,851
Capital outlay	58,396	0	23,532	81,928
Debt Service:				
Principal Retirement	24,642	460,760	0	485,402
Interest and Fiscal Charges	1,756	1,607,740	0	1,609,496
<i>Total Expenditures</i>	29,369,538	2,097,592	1,984,646	33,451,776
<i>Excess of Revenues Over (Under) Expenditures</i>	875,321	(7,905)	13,505	880,921
<b>Other Financing Sources (Uses):</b>				
Transfers In	0	51,895	48,548	100,443
Transfers Out	(100,443)	0	0	(100,443)
<i>Total Financing Sources and (Uses)</i>	(100,443)	51,895	48,548	0
<i>Net Change in Fund Balance</i>	774,878	43,990	62,053	880,921
<i>Fund Balance at Beginning of Year</i>	3,660,978	1,109,652	346,954	5,117,584
<i>Fund Balance at End of Year</i>	\$ 4,435,856	\$ 1,153,642	\$ 409,007	\$ 5,998,505

See accompanying notes to the basic financial statements.

**Lake Local School District**  
*Reconciliation of the Changes*  
*in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Fiscal Year Ended June 30, 2009*

Net Change in Fund Balances - Total Governmental Funds	\$	880,921
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures, However, in 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 outlay exceeded depreciation in the current period.		
Capital Asset Additions	\$ 2,062,800	
Current Year Depreciation	<u>(1,527,912)</u>	534,888
Net effect of transactions involving sale of capital assets are not reflected in the funds.		(196,912)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Grants and Excess Costs	(38,743)	
Delinquent Property Taxes	<u>164,850</u>	126,107
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Bond Premium Amortization	21,696	
Bond Principal	460,760	
Accreted Interest on Matured Capital Appreciation Bonds	549,240	
Capital Leases	<u>24,642</u>	1,056,338
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.		1,459
Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
(Increase) Decrease in Compensated Absences	(73,003)	
Bond Accretion	(266,365)	
Amortization of Issuance Costs	<u>(14,645)</u>	<u>(354,013)</u>
Change in Net Assets of Governmental Activities	\$	<u><u>2,048,788</u></u>

See accompanying notes to the basic financial statements.

**Lake Local School District**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual  
 General Fund  
 For the Fiscal Year Ended June 30, 2009*

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 12,927,664	\$ 12,779,025	\$ 12,779,025	\$ 0
Intergovernmental	16,603,037	16,962,197	16,962,197	0
Investment Income	325,000	136,618	136,618	0
Tuition and Fees	175,550	156,610	156,610	0
Extracurricular Activities	500	2,074	2,074	0
Rentals	142,800	178,452	178,452	0
Miscellaneous	19,000	999	999	0
<i>Total Revenues</i>	30,193,551	30,215,975	30,215,975	0
<b>Expenditures:</b>				
<b>Current</b>				
Instruction	17,356,179	17,504,323	17,504,323	0
Support Services:				
Pupils	1,029,130	911,495	911,495	0
Instructional Staff	1,538,650	1,459,644	1,459,644	0
Board of Education	33,241	26,292	26,292	0
Administration	2,846,810	2,787,807	2,787,807	0
Fiscal	652,094	602,076	602,076	0
Business	86,859	72,828	72,828	0
Operation and Maintenance of Plant	3,529,685	3,489,435	3,489,435	0
Pupil Transportation	2,278,865	2,183,254	2,183,254	0
Central	60,251	41,757	41,757	0
Operation of Non-Instructional Services	31,425	35,184	35,184	0
Extracurricular Activities	674,284	623,319	623,319	0
Capital Outlay	50,000	276,084	276,084	0
Debt Service				
Principal Retirement	24,642	24,642	24,642	0
Interest and Fiscal Charges	1,756	1,756	1,756	0
<i>Total Expenditures</i>	30,193,871	30,039,896	30,039,896	0
Excess of Revenues Over (Under) Expenditures	(320)	176,079	176,079	0
<b>Other Financing Sources (Uses):</b>				
Advances In	31,453	31,453	31,453	0
Advances Out	0	(48,305)	(48,305)	0
Transfers Out	(25,000)	(100,443)	(100,443)	0
<i>Total Other Financing Sources (Uses)</i>	6,453	(117,295)	(117,295)	0
<i>Net Change in Fund Balance</i>	6,133	58,784	58,784	0
<i>Fund Balance at Beginning of Year</i>	6,648,869	6,648,869	6,648,869	0
Prior Year Encumbrances Appropriated	511,986	511,986	511,986	0
<i>Fund Balance at End of Year</i>	\$ 7,166,988	\$ 7,219,639	\$ 7,219,639	\$ 0

See accompanying notes to the basic financial statements.



**Lake Local School District**

*Statement of Fund Net Assets*

*Proprietary Funds*

*June 30, 2009*

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	<u>NonMajor Enterprise Funds</u>
<b>Assets</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 423,364
Accounts Receivable	3,556
Intergovernmental Receivable	32,087
Inventory	<u>13,115</u>
<i>Total Current Assets</i>	472,122
Non Current Assets:	
Depreciable Capital Assets (Net)	<u>192,486</u>
<i>Total Assets</i>	<u>664,608</u>
<b>Liabilities</b>	
Current Liabilities:	
Accounts Payable	3,086
Accrued Wages and Benefits	85,842
Compensated Absences Payable	2,743
Interfund Payable	265
Intergovernmental Payable	<u>34,994</u>
<i>Total Current Liabilities</i>	126,930
Long Term Liabilities:	
Compensated Absences	<u>12,708</u>
<i>Total Liabilities</i>	139,638
<b>Net Assets</b>	
Invested in Capital Assets	192,486
Unrestricted	<u>332,484</u>
<i>Total Net Assets</i>	<u>\$ 524,970</u>

See accompanying notes to the basic financial statements.

**Lake Local School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Funds*  
*For the Fiscal Year Ended June 30, 2009*

	NonMajor Enterprise Funds
<b>Operating Revenues:</b>	
Tuition	\$ 173,864
Sales	867,338
	<u>1,041,202</u>
<i>Total Operating Revenues</i>	<i>1,041,202</i>
<b>Operating Expenses:</b>	
Salaries	520,227
Fringe Benefits	135,115
Purchased Services	49,083
Materials and Supplies	627,054
Depreciation	17,944
	<u>1,349,423</u>
<i>Total Operating Expenses</i>	<i>1,349,423</i>
Operating Loss	<u>(308,221)</u>
<b>Non-Operating Revenues:</b>	
Federal Donated Commodities	87,157
Grants	259,330
Interest	3,634
	<u>350,121</u>
<i>Total Non-Operating Revenues</i>	<i>350,121</i>
<i>Change in Net Assets</i>	<i>41,900</i>
<i>Net Assets Beginning of Year</i>	<u>483,070</u>
<i>Net Assets End of Year</i>	<u>\$ 524,970</u>

See accompanying notes to the basic financial statements.

**Lake Local School District**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Fiscal Year Ended June 30, 2009

		NonMajor Enterprise Funds
<b>Cash Flows From Operating Activities:</b>		
Cash Received from Customers	\$	1,037,646
Cash Paid for Goods and Services		(761,301)
Cash Paid to Employees		(461,969)
		(185,624)
<i>Net Cash Used For Operating Activities</i>		
<b>Cash Flows From Non-Capital Financing Activities:</b>		
Advances to Other Funds		(7,087)
Advances from Other Funds		265
Grants Received		250,983
		244,161
<i>Net Cash Provided By Non-Capital Financing Activities</i>		
<b>Cash Flows From Investing Activities:</b>		
Interest on Investments		3,634
		3,634
<i>Net Cash Provided By Investing Activities</i>		
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Payment for Capital Acquisitions		(34,815)
<i>Net Cash Used For Capital and Related Financing Activities</i>		(34,815)
<i>Net Increase in Cash and Cash Equivalents</i>		
		27,356
<i>Cash and Cash Equivalents at Beginning of Year</i>		
		396,008
<i>Cash and Cash Equivalents at End of Year</i>		
	\$	423,364
<b>Reconciliation of Operating Loss to Net Cash Used For Operating Activities:</b>		
Operating Loss	\$	(308,221)
Adjustments:		
Depreciation		17,944
Federal Donated Commodities		87,157
Loss on Disposal of Assets		6,678
(Increase) Decrease Assets		
Accounts Receivable		(3,556)
Inventory		2,088
Increase (Decrease) in Liabilities		
Accounts Payable		111
Accrued Wages and Benefits		8,100
Compensated Absences Payable		1,408
Due to Other Governments		2,667
		122,597
<i>Total Adjustments</i>		
<i>Net Cash Used For Operating Activities</i>		\$ (185,624)
Noncash items:		
The Food Service Fund received \$87,157 in Federally Donated Commodities.		

See accompanying notes to the basic financial statements.

**Lake Local School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Funds*  
*June 30, 2009*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 96,050</u>
<b>Liabilities</b>	
Undistributed Monies	\$ 1,628
Due to Students	<u>94,422</u>
<i>Total Liabilities</i>	<u>\$ 96,050</u>

See accompanying notes to the basic financial statements.

**Lake Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**Note 1 - Description of the School District**

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by the State and federal agencies. The Board of Education controls the School District's five school buildings, community complex, athletic complex, transportation/maintenance facility, and administrative office staffed by 246 certified employees and 172 non-certified employees who provide services to 3,662 students and other community members.

***Reporting Entity***

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

Component units are legally separate organizations for which the School District is financially accountable. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt or the levying of their taxes. The School District has no component units.

The School District participates in one jointly governed organization and one public entity risk pool. These organizations include the Stark/Portage Area Computer Consortium (SPARCC) and the Stark County Schools Council of Government. These organizations are presented in Notes 9 and 17 to the basic financial statements.

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

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

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and proprietary funds provided they do not conflict with or contradict GASB pronouncements. The School District has elected not to follow FASB guidance issued after November 30, 1989 to its enterprise funds.

**Lake Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*  
*(Continued)*

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The most significant of the School District's accounting policies are described below.

***A. Basis of Presentation***

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

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

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

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

***B. Fund Accounting***

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

**Lake Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*  
*(Continued)*

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

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

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

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

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

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

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

### ***C. Measurement Focus***

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

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

**Lake Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*  
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Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary fund activities.

***D. Basis of Accounting***

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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



**Lake Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*  
*(Continued)*

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

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

***E. Cash and Cash Equivalents***

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2009, investments were limited to STAROhio (the State Treasurer's Investment Pool).

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

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2009. Certificates of deposit and repurchase agreements are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the General Fund during fiscal year 2009 amounted to \$136,618, which includes \$22,334 assigned from other School District funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

***F. Inventory***

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

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of the enterprise fund are expensed when used.

**Lake Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*  
*(Continued)*

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**G. Restricted Assets**

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the General Fund include amounts set aside as a reserve for budget stabilization, which is now optional as determined by the School District. See Note 19 for additional information regarding set asides.

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

**I. Interfund Balances**

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

**Lake Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*  
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***J. Compensated Absences***

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for those individuals that are potentially eligible to retire within three years of the state retirement system requirements.

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

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

***K. Accrued Liabilities and Long-term Obligations***

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

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

***L. Deferred Charges and Bond Premiums***

In governmental fund types, bond premiums and issuance costs are recognized in the current period. On the statement of net assets, bond premiums and issuance costs are deferred and amortized over the term of the bonds. Bond premiums are amortized using the bonds outstanding method and issuance costs are amortized using the straight-line method, which is not significantly different than the bonds outstanding method, or the effective interest method. Bond premiums are presented as an addition to the face amount of bonds payable, whereas issuance costs are recorded as deferred charges.

**Lake Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*  
*(Continued)*

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***M. Net Assets***

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

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

***N. Fund Balance Reserves***

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances, property taxes and budget stabilization.

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

***O. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are tuition for supplemental education, sales for food service including vending and catering, and uniform school supplies. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

***P. Contributions of Capital***

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

***Q. Interfund Activity***

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

**Lake Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*  
*(Continued)*

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

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

***R. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2009.

***S. 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.

***T. Budgetary Data***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. Throughout the fiscal year, the primary level of budgetary control was at the function level within the General Fund. For all other funds, the legal level of control was at the fund level.

On October 25, 2005, the Stark County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15 and the filing by January 20. The Budget Commission now requires an alternate tax budget be submitted by January 20 which no longer requires specific Board approval.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2009.

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

**Lake Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*  
*(Continued)*

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***U. Implementation of New Accounting Policies***

For the year ended June 30, 2009, the School District has implemented GASB Statement No. 52, “*Land and Other Real Estate Held as Investments by Endowments*”, GASB Statement No. 55, “*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*”, and GASB Statement No. 56, “*Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*”.

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature.

GASB Statement No. 56 incorporates into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

**Note 3 - Fund Deficits**

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

	<u>Deficit Fund Balance</u>
Nonmajor Funds:	
Vocational	\$      60
Title III	3,788
Title I	14,488
Drug Free	970
Title II-A	12,206

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

**Lake Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*  
*(Continued)*

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**Note 4 - Budgetary Basis of Accounting**

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

1. Revenues and other sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures and other uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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

**Net Change in Fund Balance**

	General
GAAP Basis	\$ 774,878
Net Adjustment for Revenue Accruals	(28,884)
Advances In	31,453
Net Adjustment for Expenditure Accruals	137,432
Advances Out	(48,305)
Adjustment for Encumbrances	(807,790)
Budget Basis	\$ 58,784

**Lake Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*  
*(Continued)*

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**Note 5 - Deposits and Investments**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;



**Lake Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*  
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6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District's deposits may not be returned to it. Protection of School District cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all uninsured public deposits. The face value of the pooled collateral must equal at least 105 percent of uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. These securities, held by the counterparty and not in the School District's name, must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

**Cash on Hand:** At year end, the School District had \$1,000 in undeposited cash on hand which is included on the financial statements of the School District as part of equity in pooled cash and cash equivalents.

**Deposits:** The carrying value of the School District's deposits totaled \$157,995 and the bank balances of the deposits totaled \$283,888. Of the bank balance, \$283,888 was covered by depository insurance.

**Lake Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*  
(Continued)

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**Investments**

Investments are reported at fair value. As of June 30, 2009, the School District had the following investment:

	Fair Value	Investment Maturities (in months) 0 - 6
STAROhio	\$ 9,974,742	\$ 9,974,742

**Interest Rate Risk:** The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Unless matched to a specific obligation or debt of the School District, the School District will not directly invest in securities maturing more than three years from the date of settlement if such securities bear interest at a fixed rate, and it will not directly invest in such securities maturing more than two years from the date of settlement if they bear interest at a variable rate.

**Credit Risk:** The School District's investment at June 30, 2009 in STAROhio was rated AAAM by Standard & Poor's.

**Concentration of Credit Risk:** The School District diversifies its investments by security, type, and institution. With the exception of direct obligations of the U.S. Treasury and STAROhio, no more than 25% of the School District's total investment portfolio will be invested in a single security type or with a single financial institution. The School District's only investment at June 30, 2009 was in STAROhio.

**Note 6 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 2009 for real and public utility property taxes represents collections of calendar 2008 taxes. Property tax revenue received during calendar 2009 for tangible personal property (other than public utility property) is for calendar 2009 taxes.

2009 real property taxes are levied after April 1, 2009, on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35% of true value. 2009 public utility property taxes became a lien December 31, 2008, are levied after April 1, 2008 and are collected in 2009 with real property taxes.

**Lake Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*  
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House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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

	2008 Second Half Collections		2009 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$425,437,940	97.76%	\$428,653,320	98.79%
Public Utility Personal	4,297,100	0.99%	4,483,670	1.03%
Tangible Personal Property	5,445,987	1.25%	767,486	0.18%
<b>Total</b>	<b>\$435,181,027</b>	<b>100.00%</b>	<b>\$433,904,476</b>	<b>100.00%</b>
 Tax rate per \$1,000 of assessed valuation	 \$71.30		 \$71.50	

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

The School District receives property taxes from Stark and Portage Counties. The County Auditors periodically advance to the School District their portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The late settlement and the amount available as an advance at June 30 are recognized as revenue.

The amount available as an advance at June 30, 2009, was \$756,480 and is recognized as revenue. \$658,040 was available to the general fund and \$98,440 was available to the debt service fund.

**Lake Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*  
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**Note 7 - Receivables**

Receivables at June 30, 2009, consisted of taxes, accounts (student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. The intergovernmental receivables consist of \$17,929 of excess costs in the general fund, \$107,909 of operating grants in various special revenue funds and \$32,087 in the food service fund.

**Note 8 - Capital Assets**

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

	Balance 6/30/08	Additions	Reductions	Balance 6/30/09
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 2,993,257	\$ 0	\$ 0	\$ 2,993,257
<i>Capital Assets, being depreciated:</i>				
Land Improvements	0	845,201	0	845,201
Buildings and Improvements	38,518,147	309,000	0	38,827,147
Furniture and Equipment	4,929,490	605,030	(585,278)	4,949,242
Vehicles	2,535,207	303,569	(155,143)	2,683,633
Textbooks	774,558	0	0	774,558
Total Capital Assets, being depreciated	46,757,402	2,062,800	(740,421)	48,079,781
Less Accumulated Depreciation:				
Land Improvements	0	(19,369)	0	(19,369)
Buildings and Improvements	(8,092,633)	(903,719)	0	(8,996,352)
Furniture and Equipment	(3,027,016)	(363,923)	392,909	(2,998,030)
Vehicles	(1,421,368)	(240,683)	150,600	(1,511,451)
Textbooks	(772,993)	(218)	0	(773,211)
Total Accumulated Depreciation	(13,314,010)	(1,527,912)	543,509	(14,298,413)
Total Capital Assets being depreciated, net	33,443,392	534,888	(196,912)	33,781,368
Governmental Activities Capital Assets, Net	\$ 36,436,649	\$ 534,888	\$ (196,912)	\$ 36,774,625
<b>Business-Type Activities</b>				
<i>Capital Assets being depreciated</i>				
Furniture and Equipment	\$ 350,104	\$ 34,815	\$ (66,786)	\$ 318,133
Less Accumulated Depreciation	(167,811)	(17,944)	60,108	(125,647)
Business-Type Activities Capital Assets, Net	\$ 182,293	\$ 16,871	\$ (6,678)	\$ 192,486

**Lake Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*  
*(Continued)*

Depreciation expense was charged to governmental and business-type functions as follows:

<i>Governmental Activities:</i>	
Instruction:	
Regular	\$ 287,668
Special	12,117
Vocational	6,630
Support Services:	
Pupil	18,496
Instructional Staff	10,077
Administration	23,900
Fiscal	1,061
Operation and Maintenance of Plant	854,241
Pupil Transportation	232,472
Central	3,677
Operation of Non-Instructional Services	11,101
Extracurricular Activities	<u>66,472</u>
 Total Governmental Activities	 <u><u>\$ 1,527,912</u></u>
 <i>Business-Type Activities:</i>	
Food Service	<u><u>\$ 17,944</u></u>

**Note 9 - Risk Management**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2009, the School District contracted with the Indiana Insurance Company for property and liability coverage as follows:

<u>Type of Coverage</u>	<u>Coverage Amount</u>
Property Coverage	
Blanket Building and Contents	\$ 73,640,515
Inland Marine	Based on items listed
Automobile Liability	1,000,000
General Liability	
Each occurrence	1,000,000
Aggregate	2,000,000
Umbrella	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there was no significant reduction in coverage from the prior year.

**Lake Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*  
*(Continued)*

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***B. Workers' Compensation***

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

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

***C. Health Insurance***

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

**Note 10 - Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 325 days. Upon retirement, employees receive payment for one-fourth of the total accumulated sick leave, up to a maximum accumulation of 53 days for those employees with ten or more years of service, and 68 days for those employees with twenty or more years of service to the Board of Education. Additionally, at retirement, \$10 is paid for each day of sick leave accumulated above 200 days, up to the maximum allowed.

**Lake Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*  
*(Continued)*

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**Note 11 - Defined Benefit Pension Plans**

***A. School Employees Retirement System***

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2008 the amount was 9.16% and for fiscal year 2007 the amount was 10%. The contributions to SERS for pension obligations for the fiscal years ended June 30, 2009, 2008, and 2007 were \$395,384, \$405,133 and \$399,344, respectively; 50% has been contributed for fiscal year 2009 and 100% for the fiscal years 2008 and 2007. \$304,476 represents the unpaid contribution for fiscal year 2009, and is recorded as a liability.

***B. State Teachers Retirement System***

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (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 member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5% of earned compensation among various investment accounts. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**Lake Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*  
*(Continued)*

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

For the fiscal year ended June 30, 2009, plan members were required to contribute 10% of their annual covered salaries. The District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2009, 2008, and 2007 were \$1,863,847, \$1,790,622 and \$1,719,874, respectively. Contributions to the DC and Combined Plans for fiscal year 2009 were \$26,280 made by the School District and \$37,468 made by the plan members. 83% has been contributed for fiscal year 2009 and 100% for fiscal years 2008 and 2007. \$335,828 represents the unpaid contribution for fiscal year 2009, and is recorded as a liability.

***C. Social Security System***

Members of the Board of Education have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2009, one member of the Board of Education has elected Social Security. The Board's liability is 6.2% of wages paid.

**Note 12 - Postemployment Benefits**

***A. State Teachers Retirement System***

The School 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.

Ohio law authorized 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 portion of the health care cost in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to Health Care Stabilization Fund for the years ended June 30, 2009, 2008 and 2007. The School District's contributions for health care for fiscal years ended June 30, 2009, 2008 and 2007 were \$143,373, \$137,728 and \$128,808, respectively.



**Lake Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*  
*(Continued)*

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***B. School Employees Retirement System***

The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by SERS for non-certified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan included 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 SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Forms and Publications*.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2009, the health care allocation was 4.16%, at June 30, 2008 the allocation was 4.18% and at June 30, 2007, the allocation was 3.32%. The District's contributions for the years ended June 30, 2009, 2008 and 2007 were \$180,946, \$184,575 and \$132,582, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800. For the School District during fiscal year 2009 this amounted to \$58,708.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation was .75% and for fiscal years 2008 and 2007 the required allocation was .66% and .68%, respectively. The School District contributions for the fiscal years 2009, 2008 and 2007 were \$32,622, \$29,191 and \$27,155, respectively.

**Lake Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*  
(Continued)

**Note 13 - Long - Term Obligations**

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

	Outstanding 6/30/2008	Additions	Reductions	Outstanding 6/30/2009	Amounts Due in One Year
<b>Governmental Activities:</b>					
General Obligation Bonds:					
2000 Improvement 5.80%	\$ 1,640,000	\$ 0	\$ 0	\$ 1,640,000	\$ 800,000
2000 Capital Appreciation Bonds	205,760	0	205,760	0	0
Accretion of Interest	529,389	19,851	549,240	0	0
2003 Real Estate Acquisition 3.79%	50,000	0	50,000	0	0
2005 Refunding of Bonds					
Serial Bonds \$21,000,000 at 3.00% - 5.00%	20,040,000	0	205,000	19,835,000	210,000
Capital Appreciation Bonds at 4.17% - 4.45%	954,950	0	0	954,950	0
Accretion of Interest	568,400	246,514	0	814,914	0
Unamortized Bond Premium	2,146,912	0	21,696	2,125,216	0
<b>Total General Obligation Bonds</b>	<b>26,135,411</b>	<b>266,365</b>	<b>1,031,696</b>	<b>25,370,080</b>	<b>1,010,000</b>
Compensated Absences	1,134,141	257,476	184,473	1,207,144	276,559
Capital Leases	50,148	0	24,642	25,506	25,506
<b>Total Governmental Activities Long-Term Liabilities</b>	<b>\$ 27,319,700</b>	<b>\$ 523,841</b>	<b>\$ 1,240,811</b>	<b>\$ 26,602,730</b>	<b>\$ 1,312,065</b>
<b>Business-Type Activities</b>					
Compensated Absences	\$ 14,043	\$ 1,408	\$ 0	\$ 15,451	\$ 2,743

In 2000, the School District issued \$26,389,945 in general obligation bonds for renovation, construction, and equipping school facilities and real estate for school purposes. The callable bonds were refunded in 2005 and the remaining bonds mature in December 2026.

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

*2005 School Improvement Refunding Bonds*

On April 20, 2005, the School District issued \$21,955,000 in general obligation bonds. The proceeds of the bonds were used to partially refund \$21,955,000 of the School District's outstanding Capital Improvement Bond Series 2000. The bonds were issued for a 20 year period with final maturity at December 1, 2026. At the date of the refunding, \$23,914,677 (including premium and after underwriting fees) was deposited in an irrevocable trust to provide for all future payments on the refunded bonds.

**Lake Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*  
(Continued)

These refunding bonds were issued with a premium of \$2,267,276, which was reported as an increase to bonds payable. The amounts are being amortized to interest expenses over the life of the bonds using the bonds outstanding method. Amortization of \$21,696 was recorded for June 30, 2009. The issuance costs were reported as an expenditure. These costs will be deferred and amortized over the life of the bonds within the government-wide financial statements. The issuance resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of \$1,489,124. The issuance resulted in an economic gain of \$991,927.

The bond issue consists of serial and capital appreciation bonds. These bonds are not subject to early redemption.

The capital appreciation bonds mature December 1, 2012, 2013 and 2014. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$3,450,000. For fiscal year 2009, \$246,514 was accreted for a liability of \$1,769,864.

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

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2009 are as follows:

Fiscal Year Ending June 30,	Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2010	\$ 1,010,000	\$ 1,029,255	\$ 0	\$ 0	\$ 1,010,000	\$ 1,029,255
2011	1,060,000	979,290	0	0	1,060,000	979,290
2012	1,110,000	934,175	0	0	1,110,000	934,175
2013	0	914,750	367,069	782,931	367,069	1,697,681
2014	0	914,750	315,940	834,060	315,940	1,748,810
2015 - 2019	4,955,000	4,093,625	271,941	878,059	5,226,941	4,971,684
2020 - 2024	7,720,000	2,407,500	0	0	7,720,000	2,407,500
2025 - 2027	5,620,000	430,500	0	0	5,620,000	430,500
<b>Total</b>	<b>\$ 21,475,000</b>	<b>\$ 11,703,845</b>	<b>\$ 954,950</b>	<b>\$ 2,495,050</b>	<b>\$ 22,429,950</b>	<b>\$ 14,198,895</b>

**Lake Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*  
(Continued)

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**Note 14 - Capitalized Leases**

Capital lease obligations relate to equipment which is leased under a long-term agreement. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standard No. 13 "Accounting for Leases". Capital lease payments in the governmental funds have been reclassified and are reflected as debt service in the basic financial statements for the general fund. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2009.

Year	Amount
2010	\$ 26,398
Less Amount Representing Interest	(892)
Present Value of Minimum Lease Payments	\$ 25,506

The assets being acquired have been capitalized in the governmental activities in the amount of \$806,486, which is the present value of the minimum lease payments at the inception of each lease.

**Note 15 - Interfund Transfers**

Transfers for the year ended June 30, 2009 consisted of the following:

	Transfers In	Transfers Out
General Fund	\$ 0	\$ 100,443
Debt Service Fund	51,895	0
Nonmajor Governmental Funds	48,548	0
	\$ 100,443	\$ 100,443

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

**Lake Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*  
*(Continued)*

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**Note 16 - Interfund Balances**

Interfund receivables/payables at June 30, 2009 consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$ 48,223	\$ 0
Nonmajor Governmental Funds	0	47,958
Nonmajor Enterprise Funds	0	265
	\$ 48,223	\$ 48,223

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2009, all interfund payables outstanding are anticipated to be repaid in fiscal year 2010.

**Note 17 - Jointly Governed Organization**

The Stark Portage Area Computer Consortium (SPARCC) is a jointly governed organization comprised of 31 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports SPARCC based upon a per pupil charge dependent upon the software package utilized. The SPARCC assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. SPARCC is governed by a board of directors chosen from the general membership of the SPARCC assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county in which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Stark County Education Services Center, which serves as fiscal agent, located at 2100 38th Street, NW, Canton, Ohio 44709. The School District paid \$23,188 to SPARCC for basic services in fiscal year 2009.

**Note 18 - Contingencies**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

**Lake Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*  
*(Continued)*

**Note 19 - Set-Asides**

Substitute House Bill 412, as amended, required the School District to “set aside” certain percentages of defined revenues for (1) textbook and instructional materials purchases, and (2) capital and maintenance expenditures. As of April 10, 2001, any money on hand in a School District’s budget reserve set-aside account may at the discretion of the Board be returned to the School District’s general fund or may be left in the account and used by the Board to offset any budget deficit the School District may experience in future years. The amendment places special conditions on any refunds or rebates from the Bureau of Workers’ Compensation (BWC). These monies are to be used to offset a budget deficit for school facility construction, renovation or repair, textbooks or instructional materials; for the purchase of school buses; or for teachers’ professional development. It also required five year budget projections, amended the fiscal watch and fiscal emergency statutes, created a school district solvency fund, and amended “spending reserve” provisions. During the fiscal year June 30, 2009, the reserve activity (cash basis) was as follows:

	BWC Reserve	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Total
Set-Aside Cash Balance as of June 30, 2008	\$ 95,898	\$ 0	\$ 0	\$ 95,898
Set-Aside Carryover Balance as of June 30, 2008	0	0	(1,877,990)	(1,877,990)
Current Year Set-Aside Requirement	0	576,510	576,510	1,153,020
Qualifying Disbursements	0	(1,158,057)	(789,583)	(1,947,640)
Total	<u>\$ 95,898</u>	<u>\$ (581,547)</u>	<u>\$ (2,091,063)</u>	<u>\$ (2,576,712)</u>
Amount for Set-Asides	<u>\$ 95,898</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 95,898</u>
Balance Carried Forward to Fiscal Year 2010			<u>\$ (2,091,063)</u>	<u>\$ 95,898</u>

The School District may use the negative amount in the textbooks set-aside to reduce set-aside requirements of future fiscal years.

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

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2009

Federal Grantor/ Pass Through Grantor/ Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Non-Cash Assistance (Food Distribution): National School Lunch Program	N/A	10.555		\$60,112		\$60,112
Cash Assistance: National School Lunch Program	2009	10.555	\$245,275		\$245,275	
<b>Total U.S. Department of Agriculture</b>			<b>245,275</b>	<b>60,112</b>	<b>245,275</b>	<b>60,112</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster: Special Education Grants to States	2008 2009	84.027	640,696		14,815 634,839	
<b>Total Special Education Cluster</b>			<b>640,696</b>		<b>649,654</b>	
Title I, Grants to Local Educational Agencies	2008 2009	84.010	17,049 164,310		35,868 196,449	
<b>Total Title I, Grants to Local Educational Agencies</b>			<b>181,359</b>		<b>232,317</b>	
Title II-A, Improving Teacher Quality State Grants	2008 2009	84.367	8,824 58,248		14,438 62,924	
<b>Total Title II-A, Improving Teacher Quality State Grants</b>			<b>67,072</b>		<b>77,362</b>	
Title IV-A, Safe and Drug Free Schools Grant	2008 2009	84.186	459 7,353		1,817 7,934	
<b>Total Title IV-A, Safe and Drug Free Schools Grant</b>			<b>7,812</b>		<b>9,751</b>	
Title III, English Language Acquisition Grants	2008 2009	84.365	1,252 12,148		3,561 12,837	
<b>Total Title III, English Language Acquisition Grants</b>			<b>13,400</b>		<b>16,398</b>	
Title II-D, Education Technology State Grants	2009	84.318	4,012		3,944	
Title V, Innovative Educational Program Strategies	2008 2009	84.298	5,032 2,241		5,332 2,576	
<b>Total Title V, Innovative Education Program Strategies</b>			<b>7,273</b>		<b>7,908</b>	
<i>Passed Through Plain Local School District - Fiscal Agent of Compact:</i>						
Vocational Education Basic Grants to States		84.048	32,923		30,959	
<b>Total U.S. Department of Education</b>			<b>954,547</b>		<b>1,028,293</b>	
<b>Totals</b>			<b>\$1,199,822</b>	<b>\$60,112</b>	<b>\$1,273,568</b>	<b>\$60,112</b>

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

**LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C - FOOD DONATION PROGRAM**

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





# 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  
Stark County  
11936 King Church Avenue, NW  
Uniontown, Ohio 44685

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

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

We noted certain matters that we reported to the District's management in a separate letter dated January 15, 2010.

### **Compliance and Other Matters**

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

We noted certain noncompliance or other matters that we reported to the District's management in a separate letter dated January 15, 2010.

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



**Robert R. Hinkle, CPA**  
Chief Deputy Auditor

January 15, 2010



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of Lake Local School District, Stark County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2009. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its 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, 2009.

### Internal Control Over Compliance

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

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

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

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

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



**Robert R. Hinkle, CPA**  
Chief Deputy Auditor

January 15, 2010

**LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<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 Program (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**

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on February 25, 2008.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

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

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

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



**Robert Hinkle, CPA**  
Chief Deputy Auditor

January 15, 2010





Mary Taylor, CPA  
Auditor of State

LAKE LOCAL SCHOOL DISTRICT

STARK COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 11, 2010