



**Auditor of State
Betty Montgomery**

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types and Similar Fiduciary Funds For the Fiscal Year Ended June 30, 2004	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type and Similar Fiduciary Funds For The Fiscal Year Ended June 30, 2004	4
Combined Statement of Receipts – Budget and Actual For the Fiscal Year Ended June 30, 2004	5
Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority For The Fiscal Year Ended June 30, 2004	6
Notes to the Financial Statements	9
Schedule of Federal Awards Expenditures for the Fiscal Year Ended June 30, 2004	28
Notes to the Schedule of Federal Awards Expenditures	29
Independent Accountants' Report on Compliance and On Internal Control Required By <i>Government Auditing Standards</i>	31
Independent Accountants' Report on Compliance with Requirements Applicable To Each Major Federal Program and Internal Control over Compliance in Accordance With OMB Circular A-133.....	33
Schedule of Findings.....	35
Schedule of Prior Audit Findings.....	37

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the Indian Lake Local School District (the "District") as of and for the fiscal year ended June 30, 2004. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of the District as of June 30, 2004, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of federal awards expenditures is presented for additional analysis as required by the 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 financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in a material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, the Board of Education, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

November 1, 2004

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Governmental Fund Types				Fiduciary Funds	Total (Memorandum Only)
	General Fund	Special Revenue	Debt Service	Capital Projects	Expendable Trusts	
Revenues:						
From local sources:						
Taxes	\$7,828,795		\$1,025,198			\$8,853,993
Tuition	514,904					514,904
Transportation Fees	6,214					6,214
Earnings on investments	74,327			564	244	75,135
Extracurricular Activities		191,984				191,984
Classroom Materials and Fees	23,001	10,637				33,638
Other local revenues	16,517	5,279	15,982	171,629	532	209,939
Intergovernmental - State	5,941,961	127,400	103,114			6,172,475
Intergovernmental - Federal		939,691		58,433		998,124
Total revenue	14,405,719	1,274,991	1,144,294	230,626	776	17,056,406
Expenditures:						
Current:						
Instruction:						
Regular	6,249,804	241,916				6,491,720
Special	1,355,298	369,678				1,724,976
Vocational	368,251	349				368,600
Other	576,670					576,670
Support services:						
Pupil	335,917	198,137				534,054
Instructional staff	653,326	138,704				792,030
Board of Education	39,070					39,070
Administration	1,050,856	61,905				1,112,761
Fiscal	380,206		24,774			404,980
Operations and maintenance	1,307,088	9,472		233,634		1,550,194
Pupil transportation	808,553	900				809,453
Central	250,782	12,614				263,396
Operation of Non-Instructional Service	28,285				1,273	29,558
Extracurricular activities	308,888	176,242		1,450	6,082	492,662
Facilities services				136,737		136,737
Debt service:						
Principal retirement			1,218,000			1,218,000
Interest and fiscal charges			742,556			742,556
Total expenditures	13,712,994	1,209,917	1,985,330	371,821	7,355	17,287,417
Revenues over (under) expenditures	692,725	65,074	(841,036)	(141,195)	(6,579)	(231,011)
Other financing sources (uses):						
Operating transfers in		3,082	880,088	1,000,000		1,883,170
Operating transfers out	(1,908,669)	(3,082)		(845)	(10)	(1,912,606)
Advances In	100,319	59,842		1,000		161,161
Advances Out	(80,842)	(80,319)				(161,161)
Proceeds from sale of assets	1,589					1,589
Proceeds from sale of notes			525,000			525,000
Refund of Prior Year Expenditures	5,450					5,450
Total other financing sources (uses)	(1,882,153)	(20,477)	1,405,088	1,000,155	(10)	502,603
Revenues and other financing sources over (under) expenditures and other uses	(1,189,428)	44,597	564,052	858,960	(6,589)	271,592
Fund Cash Balances, July 1	4,519,401	478,751	1,159,791	554,895	29,141	6,741,979
Fund Cash Balances, June 30	\$3,329,973	\$523,348	\$1,723,843	\$1,413,855	\$22,552	\$7,013,571
Reserve for Encumbrances, June 30	\$51,978	\$13,084		\$61,894		\$126,956

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Funds</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise Funds</u>	<u>Agency</u>	
Operating revenues:			
Food Service	\$400,171		\$400,171
Extracurricular Activities		226,699	226,699
Classroom Materials and Fees	41,301		41,301
	<hr/>	<hr/>	<hr/>
Total operating revenues	441,472	226,699	668,171
Operating expenses:			
Personal services	381,646		381,646
Contract services	12,362		12,362
Materials and supplies	288,991	207,972	496,963
Capital Outlay	17,963		17,963
Other Expenses	1,167		1,167
	<hr/>	<hr/>	<hr/>
Total operating expenses	702,129	207,972	910,101
Operating income (loss)	(260,657)	18,727	(241,930)
Nonoperating revenues:			
Grants	210,857		210,857
Miscellaneous	19,300		19,300
	<hr/>	<hr/>	<hr/>
Total nonoperating revenues	230,157		230,157
Net income (loss) before operating transfers	(30,500)	18,727	(11,773)
Operating transfers in	29,426	10	29,436
Advances - In	20,000		20,000
Advances - Out	(20,000)		(20,000)
	<hr/>	<hr/>	<hr/>
Net income (loss)	(1,074)	18,737	17,663
Fund Cash Balances at July 1	1,074	111,194	112,268
	<hr/>	<hr/>	<hr/>
Fund Cash Balances at June 30	\$0	\$129,931	\$129,931
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Reserve for Encumbrances, June 30		\$140	\$140
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS-BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Fund Types/Fund	<u>Budget</u>	<u>Actual</u>	Variance Favorable/ (Unfavorable)
Governmental:			
General Fund	\$14,520,433	\$14,513,077	(\$7,356)
Special Revenue Funds	1,463,141	1,337,915	(125,226)
Debt Service Funds	2,720,088	2,549,382	(170,706)
Capital Project Funds	1,246,433	1,231,626	(14,807)
Proprietary:			
Enterprise Funds	734,028	721,055	(12,973)
Fiduciary:			
Expendable Trust Funds	9,450	776	(8,674)
Agency Funds	<u>341,654</u>	<u>226,709</u>	<u>(114,945)</u>
Total (Memorandum Only)	<u><u>\$21,035,227</u></u>	<u><u>\$20,580,540</u></u>	<u><u>(\$454,687)</u></u>

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Fund Types/Fund	Prior Year Carryover Appropriations	2004 Appropriations	Total
Governmental:			
General Fund	\$84,612	\$16,118,179	\$16,202,791
Special Revenue Funds	9,960	1,887,846	1,897,806
Debt Service Funds		2,159,576	2,159,576
Capital Project Funds	151,689	1,624,637	1,776,326
Proprietary:			
Enterprise Funds	300	735,102	735,402
Fiduciary:			
Expendable Trust Funds		38,591	38,591
Agency Funds	2,339	336,569	338,908
Total (Memorandum Only)	<u>\$248,900</u>	<u>\$22,900,500</u>	<u>\$23,149,400</u>

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

<u>Actual 2004 Disbursements</u>	<u>Encumbrances Outstanding At June 30, 2004</u>	<u>Total</u>	<u>Variance Favorable/ (Unfavorable)</u>
\$15,702,505	\$51,978	\$15,754,483	\$448,308
1,293,318	13,084	1,306,402	591,404
1,985,330		1,985,330	174,246
372,666	61,894	434,560	1,341,766
722,129		722,129	13,273
7,365		7,365	31,226
<u>207,972</u>	<u>140</u>	<u>208,112</u>	<u>130,796</u>
<u><u>\$20,291,285</u></u>	<u><u>\$127,096</u></u>	<u><u>\$20,418,381</u></u>	<u><u>\$2,731,019</u></u>

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**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERALPURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

1. DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1962 through the consolidation of existing land areas and school districts. The District serves an area of approximately 110 square miles. It is located in Logan County, and includes all of the Village of Russells Point, Village of Lakeview, and Village of Huntsville. The District is the 272nd largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 92 non-certificated employees, 139 certificated full-time teaching personnel and 10 administrative employees who provide services to 1992 students and community members. The District currently operates two elementary school buildings, one middle school building, and one comprehensive high school building, which includes the administrative offices, and one bus garage.

A. Reporting Entity:

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

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

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report with generally accepted accounting principles (GAAP), the District chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State. The comprehensive basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability has incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as formerly prescribed or permitted for school districts by the Auditor of State.

B. Fund Accounting

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording receipts and disbursements in accordance with special restrictions or limitations. For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

1. Governmental Fund Types:

Governmental funds are those through which most governmental functions of the District are financed. The following are the District's governmental fund types:

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

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

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

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Fund Type:

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

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

3. Fiduciary Fund Types:

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

C. Budgetary Process

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

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

1. Tax Budget:

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

2. Estimated Resources:

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004.

3. Appropriations:

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

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

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

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

4. Encumbrances:

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

5. Lapsing of Appropriations:

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents

To improve cash management, all cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this account. Individual fund integrity is maintained through District records.

Investments are stated at cost which approximates market value. Investment earnings are allocated as authorized by State statute based upon District policy.

E. Property, Plant and Equipment

Fixed assets acquired or constructed are recorded as expenditures. Depreciation is not recorded for these fixed assets

F. Unpaid Vacation and Sick Leave

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

G. Interfund Transactions

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

All other interfund transfers are reported as operating transfers.

H. Total Columns on Financial Statements

Total columns on the Financial Statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. PRIOR PERIOD ADJUSTMENT

During fiscal year 2003, the District classified the Emergency Repair Grant Fund 583 as a Special Revenue Fund.

During fiscal year 2004, the District was informed that this Fund should be classified as a Capital Projects Fund. As a result, the District reclassified this Fund from a Special Revenue Fund to a Capital Projects Fund. The reclassification of the Fund had the following effect on the Excess of Receipts and Other Financing Sources Over Cash Disbursements and Other Uses and Fund Balances previously reported at June 30, 2003:

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

3. PRIOR PERIOD ADJUSTMENT (Continued)

June 30, 2003	Special Revenue Funds	Capital Projects Funds
Excess of Receipts and Other Financing Sources Over Cash Disbursements and Other Uses	\$298,603	\$314,443
Changes to the Excess of Receipts and Other Financing Sources Over Cash Disbursements and Other Uses	(52,620)	\$52,620
Restated Excess of Receipts and Other Financing Sources Over Cash Disbursements and Other Uses	245,983	367,063
Reported Fund Balance	531,371	502,275
Cumulative effect of Reclassification	(52,620)	52,620
Restated Fund Balance	\$478,751	\$554,895

4. DEPOSITS AND INVESTMENTS

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

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

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

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

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation (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 other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

Investments in stripped principal or interest obligations, reverse purchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

As of June 30, 2004, the District had \$275 in undeposited cash on hand which is included in the fund balance.

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

Deposits: At fiscal year end, the carrying amount of the District's deposits was \$4,090,633 and the bank balance was \$4,278,010. Of the bank balance, \$300,000 was covered by federal depository insurance and \$3,978,010 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The District's investments are categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

The District's investment STAR Ohio, an investment pool operated by the Ohio State Treasurer, is unclassified because the investment is not evidenced by securities that exist in physical or book entry form.

	<u>Carrying Value</u>	<u>Market Value</u>
STAR Ohio	\$3,052,594	\$3,052,594

5. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the District operates on a fiscal year from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied April 1 on the assessed value listed as of the prior January 1, the lien date.

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

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

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

The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004 are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

5. PROPERTY TAXES (Continued)

The assessed values upon which fiscal year 2004 taxes were collected are:

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$237,721,430	85.9%	\$242,234,370	86.7%
Public Utility Real and Personal Property	12,050,720	4.4%	11,456,360	4.1%
Tangible Personal Property	26,890,320	9.7%	25,783,846	9.2%
Total Assessed Value	<u>\$276,662,470</u>	<u>100.00%</u>	<u>\$279,474,576</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$49.35		\$49.15	

6. LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2004 were as follows:

	Balance at July 1, 2003	Deductions	Balance at June 30, 2004
1998 Construction and Improvement Bonds	\$4,465,000	\$165,000	\$4,300,000
1998 Capital Appreciation	149,613		149,613
1996 Construction and Improvement Bonds	9,520,000	205,000	9,315,000
1996 Capital Appreciation	979,877		979,877
Tax Anticipation Notes	320,000	160,000	160,000
School Bus Bonds	121,000	28,000	93,000
Total General Long- Term Obligations	<u>\$15,555,490</u>	<u>\$558,000</u>	<u>\$14,997,490</u>

General Obligation Bonds – On March 1, 1998, the District issued \$4,999,612.50 in voted general obligation bonds for construction and improvements to the school buildings. The bond issue included current interest serial, current interest terms, and capital appreciation serial bonds in the amount of \$1,940,000, \$2,910,000 and \$149,613, respectively. The bonds were issued for a twenty-eight year period with a final maturity at December 1, 2025. The bonds will be retired with a voted property tax levy from the debt service fund.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

6. LONG-TERM OBLIGATIONS (Continued)

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

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

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

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

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

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

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

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

On February 1, 1996, the District issued \$13,099,877 in voted general obligation bonds for construction and improvements to the school buildings. The bond issue included current interest serial, current interest term, and capital appreciation serial bonds in the amount of \$4,560,000, \$7,560,000, and \$979,877, respectively. The bonds were issued for a twenty- eight year period with a final maturity at December 1, 2023. The bonds will be retired with a voted property tax levy from the debt service fund.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

6. LONG-TERM OBLIGATIONS (Continued)

The Current Interest Term Bonds maturing December 1, 2023, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2014	\$615,000
2015	650,000
2016	685,000
2017	720,000
2018	760,000
2019	800,000
2020	845,000
2021	890,000
2022	935,000

The remaining principal amount of such bonds (\$660,000) will mature at stated maturity on December 1, 2023.

The Current Interest Bonds maturing after December 1, 2006 are subject to redemption at the option of the District, either in whole or in part, in such order as the District shall determine, on any interest payment date on or after December 1, 2006, at redemption prices equal to the following percentages of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

<u>Redemption Period</u>	<u>Redemption Price</u>
December 1, 2006 through November 30, 2007	101%
December 1, 2007 and thereafter	100%

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

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

The capital appreciation serial bonds will mature in fiscal years 2010 through 2014. The maturity amount of the bonds is \$525,000, \$535,000, \$585,000, \$640,000, and \$640,000, respectively.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

6. LONG-TERM OBLIGATIONS (Continued)

School Bus Bonds – The District issued unvoted obligation bonds for the purchase of school buses. The bonds were issued for a ten-year period with final maturity in 2007. The bonds will be retired from the debt service fund.

Tax Anticipation Notes – The District issued tax anticipation notes, dated August 1999, in anticipation of the collection of a fraction of the proceeds of the five-year emergency tax levy approved in May 1999. Final maturity will be December 1, 2004.

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

Fiscal year Ending June 30,	Principal	Interest	Total
2005	\$599,000	\$702,102	\$1,301,102
2006	522,000	676,371	1,198,371
2007	572,000	650,930	1,222,930
2008	585,000	622,926	1,207,926
2009	680,000	592,898	1,272,898
2010-2014	1,510,615	7,348,421	8,859,036
2015-2019	4,048,875	2,998,563	7,047,438
2020-2024	5,770,000	943,738	6,713,738
2025-2029	710,000	35,619	745,619
Total	<u>\$ 14,997,490</u>	<u>\$ 14,571,568</u>	<u>29,569,058</u>

7. SHORT-TERM DEBT

On February 18, 2004 the District issued a one year registered note to install energy conservation measures for the District. The note was issued for \$525,000 at a rate of 2.36% per annum with a maturity date of February 17, 2005. Repayment will be made from the Debt Service Fund.

8. RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District maintains comprehensive commercial insurance coverage for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Settled claims resulting from these risks have not exceeded the commercial coverage in any of the past three fiscal years.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

8. RISK MANAGEMENT (Continued)

A. Property and Liability (Continued)

The District comprehensive commercial insurance coverage for real property and building contents has a liability limit of \$35,902,084, a \$2,500 deductible, and a 90 percent coinsurance.

The District's fleet insurance has a liability limit of \$1,000,000, \$5,000 for medical payments. The policy includes a \$250 deductible for comprehensive and collision coverage with all buses covered for cash value.

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

B. Workers' Compensation

For fiscal year 2004, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 12). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP.

The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund".

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

C. Health Insurance

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

9. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

A. School Employees Retirement System (Continued)

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 43215-3476.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current school district rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. In 2003, the rate was 8.17%. 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 District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$154,790, \$134,787 and \$85,185 respectively; 100% percent has been contributed for fiscal year 2004, 2003, and 2002.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10% of their annual covered salaries. The District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5%. 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 employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2004, 2003, and 2002 were \$ 840,910, \$ 807,553, and \$ 544,726 respectively; 100 percent has been contributed for fiscal year 2004, 2003, and 2002. The District had no contributions under the Combined Plan and the DC Plan.

B. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2004, four members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

10. POST RETIREMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2003, the Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$64,685.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

10. POST RETIREMENT BENEFITS (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,011 million at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000, and STRS had 105,300 eligible benefit recipients.

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

For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the District, the amount to fund health care benefits, including the surcharge, was \$101,011, for fiscal year 2004.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777, and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

11. JOINTLY GOVERNED ORGANIZATIONS

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

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

11. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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

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

12. INSURANCE PURCHASING POOLS

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

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

12. INSURANCE PURCHASING POOLS (Continued)

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

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

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

13. RELATED ORGANIZATION

Logan County District Library – The Logan County District Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Judge of Common Pleas Court. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Logan County District Library, Wilma Furgeson, Clerk/Treasurer, at 220 North Main, Bellefontaine, Ohio 43311.

14. STATE SCHOOL FUNDING DECISION

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

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

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

15. SET ASIDE DISCLOSURE

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

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

	Textbooks	Capital Acquisition	Bureau of Worker's Compensation Refunds
Set-aside Cash Balance as of June 30, 2003	(\$231,642)	(\$564,539)	\$5,563
Current Year Set-aside Requirement	276,965	276,965	
Current Year Offsets			
Qualifying Disbursements	(445,264)	(576,149)	
Cash Balance Carried forward to FY 2004	(\$399,941)	(\$863,723)	\$5,563

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

In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2004, only the unspent portion of workers' compensation refunds continues to be set aside at fiscal year end. This balance must be spent according to S.B. 345.

16. CONTINGENCIES

A. Grants

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

B. Litigation

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

INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY

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

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal Domestic Assistance Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	10.550	N/A		\$54,024		\$54,024
National School Lunch Program	10.555	04-PU	165,330		165,330	
School Breakfast Program	10.553	05-PU	30,422		30,422	
Summer Food Service Program For Children	10.559	24-AD	4,526		4,526	
Total Department of Agriculture - Nutrition Cluster			200,278	54,024	200,278	54,024
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title 1 Grants To Local Educational Agencies	84.010	C1-S1-03 C1-S1-04	30,214 402,040		52,971 381,733	
Total Title 1 Grants To Local Educational Agencies			432,254		434,704	
Innovative Education Program Strategies	84.298	C2-S1-03 C2-S1-04	9,719 17,420		5,353 16,586	
Total Innovative Education Program Strategies			27,139		21,939	
Eisenhower Professional Development State Grants	84.281	MS-S1-02	1,433		1,433	
Improving Teacher Quality State Grants	84.367	TR-S1-03 TR-S1-04	21,622 128,285		16,274 105,993	
Total Improving Teacher Quality State Grants			149,907		122,267	
Special Education_Grants to States	84.027	6B-SF-03 6B-SF-04	362 282,363		4,798 282,363	
Total Special Education_Grants to States			282,725		287,161	
ATIP Grant	84.352	AT-S2-04	12,925		12,925	
Emergency Repair Program	84.352A	AT-S4-02	58,432		112,052	
Education Technology State Grants	84.318	TJ-S1-04	9,172		9,644	
Safe and Drug-Free Schools and Communities State Grants	84.186	DR-S1-02 DR-S1-03 DR-S1-04	3,879 4,200 8,895		3,879 4,102 7,303	
Total Safe and Drug-Free Schools and Communities Grants			16,974		15,284	
Total Department of Education			990,961		1,017,409	
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$1,191,239	\$54,024	\$1,217,687	\$54,024

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

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

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B -- NUTRITION CLUSTER

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

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2004, the District had no significant food commodities in inventory.

NOTE C -- MATCHING REQUIREMENTS

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

NOTE D -- TRANSFER OF FUNDS BETWEEN COST CENTERS

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

Grant and CFDA # / Fund, Cost Center	Transfer out	Transfer in
<hr/>		
Innovative Education Program Strategies # 84.298		
573-9003	\$ (2,061)	
573-9004		\$ 2,061
 Education Technology State Grants # 84.318		
599-9013	\$ (1,022)	
599-9004		\$ 1,022

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Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of Indian Lake Local School District (the "District") as of and for the year ended June 30, 2004, and have issued our report thereon dated November 1, 2004, wherein we noted that the District has prepared its financial statements on the basis of accounting previously prescribed by the Auditor of State which is a comprehensive basis of accounting other than the accounting principles generally accepted in the United States of America. Except as discussed above, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially effect determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 and 2004-002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determining our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

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

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

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

Betty Montgomery
Auditor of State

November 1, 2004



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

Compliance

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

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

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

Internal Control Over Compliance

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

**Internal Control Over Compliance
(Continued)**

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

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

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

Betty Montgomery
Auditor of State

November 1, 2003

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA # 84.010: Title 1 - Grants to Local Educational Agencies
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding Number 2004-001

Noncompliance

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

Ohio Adm. Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

Finding Number 2004-002

Noncompliance

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

Fund	Month Ending	Deficit Balance
Enterprise Food Service	August	(\$42,028)
	November	(54,289)
	January	(35,469)
	March	(43,067)
	April	(52,588)
Enterprise Uniform School Supplies	August	(2,670)
Special Revenue Title Idea B	August	(18,722)
	November	(797)
	January	(26,576)
Special Revenue Federal Emergency Repair	March	(11,146)
	April	(13,122)
Special Revenue Title II-A	November	(323)

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

3. FINDINGS FOR FEDERAL AWARDS

None

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <u>Explain:</u>
2003-001	ORC Sec. 117.28 - Finding for Recovery for \$184 for unaccounted student activity funds	Yes	
2003-002	ORC Sec. 117.38 and OAC Sec. 117-2-03 - Failure to prepare GAAP financial statements	No	Repeated as finding # 2004-001
2003-003	ORC Sec. 5705.10 – Negative fund balances	No	Repeated as finding # 2004-002
2003-004	7 C.F.R. 3016.36 (C)(1) - Failure to obtain quotes for milk and bread products	Yes	



**Auditor of State
Betty Montgomery**

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800-282-0370

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**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 7, 2004**