



**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2009



Mary Taylor, CPA
Auditor of State

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Local School District, Wood 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, each major fund, and the aggregate remaining fund information of Lake Local School District, Wood County, Ohio, as of June 30, 2009, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 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

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

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

Mary Taylor, CPA
Auditor of State

January 12, 2010

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended June 30, 2009

Unaudited

The discussion and analysis of Lake Local School District's (the School District) financial performance provides an overview 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 financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2009 are as follows:

- Net assets of governmental activities increased by \$9,922, which represents a 0.2% increase from fiscal year 2008.
- During the year the School District entered into a capital lease for computer equipment at a total cost of \$160,080 which included interest of \$4,469. In fiscal year 2009 \$53,360 was paid on this lease.
- General revenues accounted for \$14,325,805 in revenue or 85.8% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$2,369,002 or 14.2% of total revenues of \$16,694,807.
- Total assets of governmental activities decreased by \$393,517. Some of the change was due to cash and investments decreasing by \$330,086, capital assets decreasing by \$95,832, taxes receivable decreasing by \$100,958 and payment in lieu of taxes increasing by \$177,530.
- The District had \$16,684,885 in expenses related to governmental activities; only \$2,369,002 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$14,325,805 were also used to provide for these programs.
- All governmental funds had total revenues and other financing sources of \$17,006,269 and expenditures and other financing uses of \$17,708,108. The net change in fund balance decreased \$701,839, or 14.4% for the year.

USING THIS ANNUAL REPORT

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

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

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended June 30, 2009

Unaudited

REPORTING THE SCHOOL DISTRICT AS A WHOLE

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2009. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended June 30, 2009

Unaudited

Fund Financial Statements (Continued)

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

TABLE 1
Net Assets (In Thousands)

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Current and Other Assets	\$14,170	\$14,468
Capital Assets, Net	<u>16,733</u>	<u>16,829</u>
<u>Total Assets</u>	<u>\$30,903</u>	<u>\$31,297</u>
<u>Liabilities</u>		
Current and Other Liabilities	\$ 9,693	\$ 9,197
Long-Term Liabilities	<u>14,873</u>	<u>15,773</u>
<u>Total Liabilities</u>	<u>\$24,566</u>	<u>\$24,970</u>
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	\$ 3,674	\$ 2,720
Restricted	1,459	2,225
Unrestricted	<u>1,204</u>	<u>1,382</u>
<u>Total Net Assets</u>	<u>\$ 6,337</u>	<u>\$ 6,327</u>

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended June 30, 2009

Unaudited

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Current and other assets decreased 2.1 percent. The majority of this decrease was in cash. Overall total assets decreased 1.3 percent.

Current and other liabilities increased 5.4 percent. The majority of this increase was in deferred revenue. Long-term liabilities decreased by 5.7 percent due to payment of debt and amortization of bond premiums. Overall total liabilities decreased by 1.6 percent.

Invested in Capital Assets, Net of Related Debt increased by 35.0 percent. The increase was due to payment of debt and amortization of bond premiums. Restricted net assets decreased by 34.4 percent due to less money being restricted for set asides. Unrestricted net assets decreased by 12.9 percent due to operations.

Table 2 reflects the changes in net assets for fiscal years 2009 and 2008.

TABLE 2
Change in Net Assets (In Thousands)

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
<u>Revenues</u>		
Program Revenues		
Charges for services	\$ 1,209	\$ 1,184
Operating grants and contributions	1,141	1,195
Capital grants and contributions	<u>19</u>	<u>11</u>
Total Program Revenues	<u>2,369</u>	<u>2,390</u>
General Revenues		
Property taxes	7,614	8,431
Payment in lieu of taxes	46	53
Grants and entitlements not restricted to specific programs	6,559	6,112
Interest	106	254
Miscellaneous		1
Proceeds from sale of capital assets	<u>1</u>	<u>38</u>
Total General Revenues	<u>14,326</u>	<u>14,889</u>
<u>Total Revenues</u>	<u>16,695</u>	<u>17,279</u>

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended June 30, 2009

Unaudited

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

<u>Expenses</u>		
Instruction	9,326	9,427
Support Services		
Pupils	613	654
Instructional staff	664	561
Board of Education	89	168
Administration	1,072	995
Fiscal	476	458
Operation and maintenance of plant	1,544	1,548
Pupil transportation	796	898
Central	128	134
Non-Instructional Services	99	128
Extracurricular activities	730	647
Interest and fiscal changes	606	566
Food Service	506	485
Building improvements	<u>36</u>	<u>6</u>
<u>Total Expenses</u>	<u>16,685</u>	<u>16,675</u>
<u>Increase in Net Assets</u>	10	604
<u>Beginning Net Assets</u>	<u>6,327</u>	<u>5,723</u>
<u>Ending Net Assets</u>	<u>\$ 6,337</u>	<u>\$ 6,327</u>

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended June 30, 2009

Unaudited

Governmental Activities

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

TABLE 3
Governmental Activities (In Thousands)

	<u>2009</u>		<u>2008</u>	
	Total Cost of <u>Services</u>	Net Cost of <u>Services</u>	Total Cost of <u>Services</u>	Net Cost of <u>Services</u>
Instruction	\$ 9,326	\$ 8,082	\$ 9,427	\$ 8,081
Support Services:				
Pupils and instructional staff	1,277	1,159	1,215	1,126
Board of Education, Administration, and Fiscal	1,637	1,633	1,621	1,619
Operation and maintenance of plant	1,544	1,532	1,548	1,536
Pupil transportation	796	777	898	887
Central	128	123	134	17
Non-Instructional Services	99	15	128	127
Food Service Operations	506	(30)	485	(16)
Extracurricular Activities	730	383	647	336
Interest and Fiscal Charges	606	606	566	566
Building Improvement Services	<u>36</u>	<u>36</u>	<u>6</u>	<u>6</u>
Total Expenses	<u>\$16,685</u>	<u>\$14,316</u>	<u>\$16,675</u>	<u>\$14,285</u>

The School District is dependent upon tax revenues for governmental activities. Over 86.7 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.8 percent. The community, as a whole, is the primary support for Lake Local School District students.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$17,006,269 and expenditures and other financing uses of \$17,708,108. This resulted in a negative change in fund balance of \$701,839 for the fiscal year.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended June 30, 2009

Unaudited

BUDGETARY HIGHLIGHTS

The School District prepares an annual budget of revenues and expenditures for all funds of the School District for use by School District officials and department heads and prepares such other budgetary documents as are required by State statute, including the annual appropriations ordinance which is effective the first day of July. The School District's most significant budgeted fund is the General Fund. During the course of fiscal year 2009, the School District amended its General Fund budget as needed.

For the General Fund, final budgeted revenues and expenditures did not change significantly from the School District's original estimates and actual revenues and expenditures were not significantly different from the final budget amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The decrease in capital assets for governmental activities is the result of capital asset additions being less than depreciation on capital assets. Note 9 provides additional details regarding capital assets.

Debt

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

In addition to the debt noted above, the School District's long term debt also includes compensated absences and capital leases. Note 16 provides additional details regarding debt.

Economic Outlook

While manageable in the near term, the effects of the economic crises are beginning to be keenly felt in both of our largest revenue sources, Property Tax Receipts and State Foundation payments. Unless the economy soon stabilizes and begins to return to a more normal level, this district, as well as virtually all school districts across the state, will face severe financial distress.

Local Property Tax Receipts - In fiscal year 2009, General Fund Property Tax receipts were down \$160,000 from 2008, and the first half collections in 2010 were down \$26,000 from 2009. In total, 2010 is projected to be down \$52,000 from 2009, or \$212,000 from 2008. 2011 is projected to be down another \$52,000 before stabilizing in 2012.

Wood County, Ohio is normally an area of economic stability, but the current recession has seen a property tax delinquency rate three times higher than normal, as reported recently by the County Auditor. Until the economy recovers to the point where job losses turn into job gains this problem will continue and is likely to worsen. Unfortunately, the best case scenario is that job creation will be the last recovery phase of the economy to improve on a nationwide basis, and that the Mid-West in general, Ohio and Michigan specifically, will be the last to see any material job creation turnaround.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended June 30, 2009

Unaudited

State Education Aid - State Foundation payments have simply not kept pace. In 2009, we received \$4,243,501 virtually the same amount received in 2002. We are currently scheduled to receive \$3,927,271 in 2010 and \$3,804,224 in 2011. Buoyed with Federal Economic Stimulus dollars, even the state's current biennium's budget (FY10 and 11) is in serious jeopardy given the state's continued budget woes. Many of the original revenue estimates are not being achieved. Further reductions yet this year are a very real possibility, if the legislature does not move to plug a hole created by the loss of Video Slot Machine tax revenue.

Yet the State is still trying to impose significant mandates to the educational system such as All Day, Every Day Kindergarten and a 20-day extension to the standard school day to name just two. These were the key elements of the Governor's original 2010/2011 education budget proposal that also called for significant budget increases of 15% and 12% for this district. However, as the economy worsened, reality set in, and the State required massive Federal aid, just to keep education funding levels at just slightly below 2008/2009 levels.

What's going to happen in 2012 and beyond is anybody's question, but we are hard pressed to project that the state's finances will turn around anytime soon, or that another round of Federal Stimulus money will be available. In any event, the next biennium budget process (2012/2013) will be critical to the long term viability and success of Ohio's Public School System.

REQUEST FOR INFORMATION

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

Lake Local School District
Wood County

Statement of Net Assets
June 30, 2009

	<u>Activities</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$3,979,924
Investments	608,826
Inventory Held for Resale	280
Accrued Interest Receivable	13,206
Accounts Receivable	8,557
Intergovernmental Receivable	18,268
Prepaid Items	32,653
Taxes Receivable	9,197,427
Payment in Lieu of Taxes Receivable	177,530
Noncurrent Assets:	
Unamortized Bond Issuance Cost	133,100
Non-Depreciable Capital Assets	909,400
Depreciable Capital Assets, net	<u>15,823,813</u>
 <i>Total Assets</i>	 30,902,984
 LIABILITIES:	
Current Liabilities:	
Accounts Payable	128,348
Accrued Wages and Benefits	970,684
Intergovernmental Payable	358,290
Accrued Interest Payable	71,432
Deferred Revenue	8,163,895
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	929,499
Due in More Than One Year	<u>13,943,596</u>
 <i>Total Liabilities</i>	 24,565,744
 NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	3,674,243
Restricted for Debt Service	970,854
Restricted for Capital Outlay	125,073
Restricted for Other Purposes	200,096
Restricted for Set Asides	160,891
Restricted - Other	2,000
Unrestricted	<u>1,204,083</u>
 <i>Total Net Assets</i>	 <u><u>\$6,337,240</u></u>

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

Lake Local School District
Wood County

Statement of Activities
For the Fiscal Year Ended June 30, 2009

	Program Revenues				-
	Expenses	<u>Charges for Services and Sales</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	
Governmental Activities:					
Instruction:					
Regular	\$ 7,431,457	\$ 573,414	\$ 165,422		\$ (6,692,621)
Special	1,735,689		497,275		(1,238,414)
Vocational	158,909		7,577		(151,332)
Support Services:					
Pupils	612,609	2,113	4,580		(605,916)
Instructional Staff	664,386		111,434		(552,952)
Board of Education	88,707				(88,707)
Administration	1,072,155		3,842		(1,068,313)
Fiscal	475,505				(475,505)
Operation and Maintenance of Plant	1,544,044		12,000		(1,532,044)
Pupil Transportation	796,260			\$ 19,302	(776,958)
Central	128,328		5,000		(123,328)
Operation of Non-Instructional Services	98,942		83,976		(14,966)
Food Service Operations	506,172	285,794	250,158		29,780
Extracurricular Activities	730,117	347,115			(383,002)
Building Improvement Services	35,525				(35,525)
Interest and Fiscal Charges	606,080				(606,080)
<i>Total Governmental Activities</i>	<u>\$ 16,684,885</u>	<u>\$ 1,208,436</u>	<u>\$ 1,141,264</u>	<u>\$ 19,302</u>	<u>\$ (14,315,883)</u>
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purposes					6,328,751
Property Taxes, Levied for Capital Outlay					254,880
Property Taxes, Levied for Debt Service					1,030,090
Payments in Lieu of Taxes					46,000
Grants and Entitlements not Restricted to Specific Programs					6,558,689
Investment Earnings					106,045
Proceeds from Sale of Capital Assets					1,350
<i>Total General Revenues and Transfers</i>					<u>14,325,805</u>
<i>Change in Net Assets</i>					9,922
<i>Net Assets Beginning of Year</i>					<u>6,327,318</u>
<i>Net Assets End of Year</i>					<u>\$6,337,240</u>

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

Lake Local School District
Wood County

Balance Sheet - Governmental Funds
June 30, 2009

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	\$2,606,595	\$743,623	\$468,815	\$3,819,033
Investments	608,826			608,826
Inventory Held for Resale			280	280
Accrued Interest Receivable	13,206			13,206
Accounts Receivable	3,054		5,503	8,557
Intergovernmental Receivable			18,268	18,268
Prepaid Items	32,653			32,653
Taxes Receivable	7,781,656	1,109,522	306,249	9,197,427
Payment in Lieu of Taxes Receivable			177,530	177,530
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	160,891			160,891
<i>Total Assets</i>	<u>\$11,206,881</u>	<u>\$1,853,145</u>	<u>\$976,645</u>	<u>\$14,036,671</u>
LIABILITIES:				
Accounts Payable	\$50,432		\$77,916	\$128,348
Accrued Wages and Benefits	913,413		57,271	970,684
Intergovernmental Payable	343,286		15,004	358,290
Deferred Revenue	6,993,677	\$980,204	450,232	8,424,113
<i>Total Liabilities</i>	<u>8,300,808</u>	<u>980,204</u>	<u>600,423</u>	<u>9,881,435</u>
Equity:				
FUND BALANCES:				
Reserved:				
Reserved for Encumbrances	179,818		74,431	254,249
Reserved for Inventory			280	280
Reserved for Prepaid Items	32,653			32,653
Reserved for Property Taxes	787,979	129,318	33,547	950,844
Reserved for Textbooks and Instructional Materials	137,972			137,972
Reserved for Budget Stabilization	22,919			22,919
Unreserved, Undesignated, Reported in:				
General Fund	1,744,732			1,744,732
Special Revenue Funds			188,740	188,740
Debt Service Funds		743,623		743,623
Capital Projects Funds			77,224	77,224
Permanent Funds			2,000	2,000
<i>Total Fund Balances</i>	<u>2,906,073</u>	<u>872,941</u>	<u>376,222</u>	<u>4,155,236</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$11,206,881</u>	<u>\$1,853,145</u>	<u>\$976,645</u>	<u>\$14,036,671</u>

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

Lake Local School District
Wood County

Reconciliation of Total Governmental Fund Balances
To Net Assets of Governmental Activities
June 30, 2009

Total Governmental Fund Balances	\$ 4,155,236
<i>Amounts reported for governmental activities on the statement of net assets are different because of the following:</i>	
Capital assets are used in governmental activities are not financial resources and, therefore, not reported in the funds:	16,733,213
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	260,218
Unamortized issuance costs are reported as deferred charges on the Statement of Net Assets but as an expenditure on the fund financial statements which do not provide current financial resources and, therefore, are not reported in the funds:	133,100
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:	(14,944,527)
<i>Net Assets of Governmental Activities</i>	<u>\$ 6,337,240</u>

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

Lake Local School District
Wood County

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

	General	Bond Retirement	All Other Governmental	Total Governmental
REVENUES:				
Property and Other Local Taxes	\$ 6,367,201	\$ 1,037,772	\$ 255,452	\$ 7,660,425
Intergovernmental	6,274,327	232,296	1,207,032	7,713,655
Interest	103,178		2,867	106,045
Tuition and Fees	451,587		50,995	502,582
Rent	6,250			6,250
Extracurricular Activities	60,155		298,435	358,590
Gifts and Donations	514		43,712	44,226
Customer Sales and Services	6,226		290,528	296,754
Payments in Lieu of Taxes			46,000	46,000
Miscellaneous			34	34
Total Revenues	13,269,438	1,270,068	2,195,055	16,734,561
EXPENDITURES:				
Current:				
Instruction:				
Regular	6,536,657		505,229	7,041,886
Special	1,164,897		567,992	1,732,889
Vocational	172,722			172,722
Support Services:				
Pupils	602,036		15,520	617,556
Instructional Staff	515,034		128,664	643,698
Board of Education	89,438		447	89,885
Administration	1,057,562		7,409	1,064,971
Fiscal	453,536	15,576	4,844	473,956
Operation and Maintenance of Plant	1,440,529		144,032	1,584,561
Pupil Transportation	673,164		103,910	777,074
Central	117,203		9,799	127,002
Operation of Non-Instructional Services			88,210	88,210
Operation of Non-Instructional Services:				
Food Service Operations			507,140	507,140
Extracurricular Activities	421,148		253,002	674,150
Capital Outlay			522,793	522,793
Debt Service:				
Principal		930,000	70,259	1,000,259
Interest		440,255	34,354	474,609
Total Expenditures	13,243,926	1,385,831	2,963,604	17,593,361
Excess of Revenues Over (Under) Expenditures	25,512	(115,763)	(768,549)	(858,800)
OTHER FINANCING SOURCES AND USES:				
Transfers In			114,747	114,747
Proceeds on Sale of Capital Assets	1,350			1,350
Inception of Capital Lease			155,611	155,611
Transfers Out	(114,747)			(114,747)
Total Other Financing Sources and Uses	(113,397)		270,358	156,961
Net Change in Fund Balances	(87,885)	(115,763)	(498,191)	(701,839)
Fund Balance at Beginning of Year	2,993,958	988,704	874,413	4,857,075
Fund Balance at End of Year	<u>\$ 2,906,073</u>	<u>\$ 872,941</u>	<u>\$ 376,222</u>	<u>\$ 4,155,236</u>

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

Lake Local School District
Wood County

Reconciliation of Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the year ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds (\$701,839)

Amounts reported for governmental activities in the
statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures.

However, on the statement of activities, the cost of those assets
is allocated over their estimated useful lives as depreciation
expense. This is the amount by which depreciation exceeded
capital outlays in the current year:

(95,832)

Revenues on the statement of activities that do not provide current
financial resources are not reported as revenues in governmental funds:

(46,703)

Repayment of principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities on the statement
of activities:

1,138,822

Interest is reported as an expenditure when due in the governmental
funds, but is accrued on outstanding debt on the statement of
activities. The amortization of premiums and discounts is reported
on the statement of activities.

(113,340)

Issuance costs are reported as an expenditure when paid in the
governmental funds, but are deferred and amortized on the
statement of activities:

(18,131)

The inception of a capital lease is an other financing source in the
governmental funds, but increases long-term liabilities on the
statement of net assets.

(155,611)

Some expenses reported on the statement of activities, such as
compensated absences do not require the use of current
financial resources, therefore, are not reported as expenditures
in governmental funds:

2,556

Change in Net Assets of Governmental Activities

\$9,922

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

Lake Local School District
Wood County

Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Property and Other Local Taxes	\$ 7,332,506	\$ 7,419,767	\$ 6,532,067	\$ (887,700)
Intergovernmental	6,868,590	6,950,330	6,274,327	(676,003)
Interest	137,202	138,835	123,833	(15,002)
Tuition and Fees	490,876	496,717	448,533	(48,184)
Rent	6,642	6,721	6,250	(471)
Extracurricular Activities	65,997	66,783	60,155	(6,628)
Gifts and Donations			538	538
Customer Sales and Services	11,236	11,370	6,226	(5,144)
Miscellaneous			(39)	(39)
<i>Total Revenues</i>	<u>14,913,049</u>	<u>15,090,523</u>	<u>13,451,890</u>	<u>(1,638,633)</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	6,595,886	6,523,471	6,494,451	29,020
Special	1,134,309	1,175,669	1,175,201	468
Vocational	291,983	209,483	186,702	22,781
Support Services:				
Pupils	610,719	632,689	607,972	24,717
Instructional Staff	504,307	528,607	511,620	16,987
Board of Education	209,928	155,678	108,684	46,994
Administration	1,079,858	1,071,208	1,060,248	10,960
Fiscal	454,415	457,765	448,852	8,913
Operation and Maintenance of Plant	1,401,063	1,477,643	1,462,933	14,710
Pupil Transportation	837,685	771,265	756,809	14,456
Central	131,117	121,267	116,967	4,300
Extracurricular Activities:				
Academic Oriented Activities	86,900	87,050	85,255	1,795
Sport Oriented Activities	342,150	345,750	332,083	13,667
<i>Total Expenditures</i>	<u>13,680,320</u>	<u>13,557,545</u>	<u>13,347,777</u>	<u>209,768</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,232,729</u>	<u>1,532,978</u>	<u>104,113</u>	<u>1,428,865</u>
OTHER FINANCING SOURCES AND USES:				
Transfers In	260,158	263,254	248,670	(14,584)
Advances In			66	66
Proceeds from Sale of Capital Assets	553	560	1,350	790
Refund of Prior Year Expenditures			2,350	2,350
Transfers Out	(300,000)	(365,000)	(363,417)	(1,583)
<i>Total Other Financing Sources and Uses</i>	<u>(39,289)</u>	<u>(101,186)</u>	<u>(110,981)</u>	<u>(12,961)</u>
<i>Net Change in Fund Balances</i>	1,193,440	1,431,792	(6,868)	1,415,904
<i>Fund Balance (Deficit) at Beginning of Year</i>	2,934,028	2,934,028	2,934,028	
<i>Prior Year Encumbrances Appropriated</i>	<u>234,249</u>	<u>234,249</u>	<u>234,249</u>	
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 4,361,717</u>	<u>\$ 4,600,069</u>	<u>\$ 3,161,409</u>	<u>\$ 1,415,904</u>

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

Lake Local School District
Wood County

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
ASSETS:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	<u>\$ 751,459</u>	<u>\$ 29,130</u>
 LIABILITIES:		
Current Liabilities:		
Accounts Payable		\$ 48
Due to Students		29,082
<i>Total Liabilities</i>		\$ 29,130
 NET ASSETS:		
Held in Trust for Scholarships	<u>\$ 751,459</u>	

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

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

Lake Local School District
Wood County

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2009

	<u>Private Purpose Trust Fund</u>
ADDITIONS:	
Gifts and Contributions	\$ 350
Interest	<u>29,387</u>
<i>Total Additions</i>	<u>29,737</u>
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>50,000</u>
<i>Change in Net Assets</i>	(20,263)
<i>Net Assets Beginning of Year</i>	<u>771,722</u>
<i>Net Assets End of Year</i>	<u><u>\$ 751,459</u></u>

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The District is located in a rural community in Northwest Ohio. It is staffed by 68 non-certificated employees, 103 certificated full-time teaching personnel who provide services to 1,539 students and other community members.

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

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

The District is associated with eight organizations as follows: Northwest Ohio Computer Association, Northern Buckeye Education Council, Penta Career Center, Northwest Ohio Educational Council, and the Ohio Schools Council, which are defined as jointly governed organizations; the Ohio Association of School Business Officials Group Rating Program, Wood County Insurance Consortium, and Northwest Ohio Educational Council Self Insurance Pool which are insurance purchasing pools. These organizations are presented in Notes 18 and 19 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

2. Fund Financial Statements

During the fiscal 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 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.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

1. Governmental Funds

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

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

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

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

2. Fiduciary Fund Types

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus

1. Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

2. Fund Financial Statements

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

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

D. Basis of Accounting

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

1. Revenues - Exchange and Nonexchange Transactions

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

1. Revenues - Exchange and Nonexchange Transactions (Continued)

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

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

2. Deferred Revenues

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

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

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

3. Expenses/Expenditures

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

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

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

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

F. Estimates

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

G. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled, except for the federal agency securities purchased and held in a separate management account to the credit of the School District's General Fund only. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents". During fiscal year 2009, investments were limited to certificates of deposit, STAR Ohio, federal agency securities, and the U.S. Treasury money market fund.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Cash and Cash Equivalents (Continued)

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

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2009. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2009.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$103,178, which includes \$24,679 assigned from other School District funds.

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

H. Inventory

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

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

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Restricted Assets

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

Restricted assets in the general fund represent cash set aside to establish a budget stabilization reserve and textbook and instructional material reserves. These reserves are required by State statute. The total restricted cash as of June 30, 2009 was \$160,891.

K. Capital Assets

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

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

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

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

L. Interfund Assets/Liabilities

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Compensated Absences

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

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

N. Accrued Liabilities and Long-Term Obligations

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

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

O. Unamortized Issuance Costs/Bond Premium and Discount

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

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

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

P. Interfund Transactions

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Fund Balance Reserves

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

R. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. None of the District's funds are restricted by enabling legislation.

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

<u>Net Changes in Fund Balance</u>	
Budget Basis	\$ (6,868)
<u>Increase (Decrease) Due To:</u>	
Net adjustment for revenue accruals	(182,452)
Net adjustment for expenditure accruals	(111,038)
Net adjustment for other sources (uses)	(2,416)
Encumbrances outstanding at year end (Budget basis)	<u>214,889</u>
GAAP Basis	<u>\$ (87,885)</u>

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 4 - ACCOUNTABILITY

For fiscal year 2009, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", Statement No. 51, "Accounting and Financial Reporting for Intangible Assets" and Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments".

GASB Statement No. 49 establishes accounting and financial reporting requirements for pollution remediation obligations by requiring more timely and complete reporting of the obligations and by requiring all governments to account for pollution remediation obligations in the same manner. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 52 establishes consistent standards for reporting land and other real estate held as investments. It requires endowments to report land and other real estate investments at fair value, to report the changes in fair value as investment income, and to disclose the methods and significant assumptions used to determine fair value. The implementation of this statement did not result in any changes to the financial statements.

At June 30, 2009, there was a deficit in the special revenue funds listed below. The deficit in the special revenue funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit funds and provides operating transfers when cash is required, not when accruals occur.

<u>Fund</u>	<u>Fund Description</u>	<u>Deficit Balance</u>
Special Revenue		
009	Uniform Supply	\$ 21
439	Public School Preschool	10,646
572	Title I	40,573
590	Title II A	58

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

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 withdraw able on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

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

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Cash on Hand - At fiscal year end, the School District had \$903 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

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

Deposits - At June 30, 2009, the carrying amount of all the District's deposits was \$2,365,315. At fiscal year end, \$532,608 of the bank balance of \$2,405,059 was exposed to custodial credit risk as discussed below while \$1,872,451 was covered by the Federal Deposit Insurance Corporation.

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

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Investments - As of June 30, 2009, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Federal Home Loan Mortgage Corp.	\$ 205,202	8/12/10
Federal Farm Credit Bank	403,624	11/18/11
U.S. Treasury Money Market Fund	20,312	Less than 90 days
STAR Ohio	<u>2,373,983</u>	
Total Investments	<u>\$3,003,121</u>	

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

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

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the 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. The School District has limited custodial risk on the above investments as they are held in the School District's name by its agent. The School District has no investment policy dealing with custodial credit risk beyond the requirements of State statute which prohibit payment for investments prior to the delivery of the securities representing the investments to the treasurer or qualified trustee.

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

NOTE 6 - PROPERTY TAXES

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 6 - PROPERTY TAXES (Continued)

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

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

The School District receives property taxes from Wood and Ottawa Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 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, tangible personal property, and public utility taxes which became measurable as of June 30, 2009. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue.

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

	<u>2008 Second-Half Collections</u>		<u>2009 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$217,647,690	92.49%	\$225,475,860	95.13%
Public Utility	12,159,220	5.17	11,550,285	4.87
Tangible Personal Property	<u>5,498,826</u>	<u>2.34</u>	-	-
Total Assessed Value	<u>\$235,305,736</u>	<u>100.00%</u>	<u>\$237,026,145</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$61.95		\$56.00	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2009, consisted of property taxes, payment in lieu of taxes, accounts (rent, billings for user charged services, and student fees), accrued interest, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables, except property taxes and payment in lieu of taxes are expected to be collected in one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Payment in lieu of taxes, in the amount of \$64,224 will not be received within one year.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Lunch Room Fund	
Entry Year Grant Fund	\$ 1,038
Title II-A Fund	5,600
Title II-D Fund	10,240
	1,390

NOTE 8 - PAYMENT IN LIEU OF TAXES

According to State law, Wood County has entered into agreements with a number of property owners under which the County has granted property tax exemptions to those property owners. The property owners have agreed to make payments to the County which reflect all or a portion of the property taxes which the property owners would have paid if the taxes had not been exempted. The agreements provide for a portion of these payments to be paid to the District. The property owners' contractually promise to make these payments in lieu of taxes until the agreement expires.

NOTE 9 - CAPITAL ASSETS

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

	<u>Balance at 6/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/09</u>
Governmental Activities				
Non Depreciable Capital Assets				
Construction in Progress	\$ 500,606	\$	\$ 500,606	\$
Land	909,400	_____	_____	909,400
Total Non Depreciable Capital Assets	1,410,006	_____	500,606	909,400
Depreciable Capital Assets				
Land improvements	2,682,316			2,682,316
Buildings and building improvements	19,759,308	1,027,979		20,787,287
Furniture, fixtures, and equipment	1,361,968	254,542	8,062	1,608,448
Vehicles	1,610,869	19,949		1,630,818
Library and textbooks	480,888	_____	_____	480,888
Total Depreciable Capital Assets	25,895,349	1,302,470	8,062	27,189,757

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 9 - CAPITAL ASSETS (Continued)

Less Accumulated Depreciation				
Land improvements	1,241,447	102,053		1,343,500
Buildings and building improvements	6,902,502	558,485		7,460,987
Furniture, fixtures, and equipment	748,419	108,062	8,062	848,419
Vehicles	1,128,821	111,918		1,240,739
Library and textbooks	<u>455,121</u>	<u>17,178</u>		<u>472,299</u>
Total Accumulated Depreciation	<u>10,476,310</u>	<u>897,696</u>	<u>8,062</u>	<u>11,365,944</u>
Depreciable Capital Assets, Net	<u>15,419,039</u>	<u>404,774</u>		<u>15,823,813</u>
Governmental Activities				
Capital Assets, Net	<u>\$16,829,045</u>	<u>\$ 404,774</u>	<u>\$ 500,606</u>	<u>\$16,733,213</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$626,817
Special	1,679
Vocational Education	469
Support Services:	
Instructional staff	12,318
Administration	3,391
Operation and maintenance of plant	45,476
Pupil transportation	106,787
Central	1,450
Non-instructional services	10,765
Extracurricular activities	53,019
Building improvement	<u>35,525</u>
Total Depreciation Expense	<u>\$897,696</u>

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive insurance coverage through Northwest Ohio Educational Council Self Insurance Pool, an insurance purchasing pool (See Note 18), for the areas described below.

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

There have been no significant reductions in insurance coverage from fiscal year 2008, and settled claims, if any, have not exceeded coverage in any of the past three years.

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement 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 stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 was \$148,531, \$147,151, and \$153,801, respectively; 22.03 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

Plan Description - The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members, and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888)227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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

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

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for the School District's member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007, were \$754,960, \$741,879 and \$694,975 respectively; 77.87 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DCP and CP for fiscal year 2009 were \$25,174 made by the District and \$13,754 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2009, four members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than the actuarially determined amount. For fiscal year 2009, the surcharge amount was \$25,078.

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

The School District's contribution for health care for the fiscal years ended June 30, 2009, 2008, and 2007 was \$67,974, \$77,752, and \$47,811 respectively; 22.03 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2009, this actuarially required allocation was .75 percent of covered payroll. The School District's contribution for Medicare Part B for fiscal years ended June 30, 2009, 2008, and 2007 was \$12,255, \$10,603, and \$9,793 respectively; 22.03 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

Plan Description - The School District contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System (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 STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

C. State Teachers Retirement System (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care 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 Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2009, 2008, and 2007 was \$58,074, \$57,068, and \$54,460 respectively; 77.87 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

NOTE 13 - COMPENSATED ABSENCES AND JUDGMENTS

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 13 - COMPENSATED ABSENCES AND JUDGMENTS (Continued)

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

NOTE 14 - OPERATING LEASES

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

<u>Year Ending June 30,</u>	<u>Copier Lease Amount</u>
2010	\$ 45,904
2011	45,904
2012	45,904
2013	<u>22,952</u>
Total	<u>\$160,664</u>

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

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

The capital leases consisting of school buses and computer equipment have been capitalized in the Statement of Net Assets. The amounts recorded represent the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the statement of net assets. Principal payments in fiscal year 2009 totaled \$138,563 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2009.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

Fiscal Year Ending June 30,	<u>Governmental Activities</u>
2010	\$157,270
2011	<u>157,270</u>
 Total	 314,540
Less amount representing interest:	<u>24,002</u>
Present value of Net Minimum Loss Payments	<u>\$290,538</u>

NOTE 16 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2009 were as follows:

	<u>Principal Outstanding 6/30/08</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/09</u>	<u>Amounts Due in One Year</u>
General Obligation Bonds:					
Middle School Bonds					
Interest Rate 4.2% - 5.2%	\$ 2,510,000		\$ 500,000	\$ 2,010,000	\$ 520,000
Capital Appreciation Bonds	444,995			444,995	
Accretion on Capital					
Appreciation Bonds	477,982	\$ 48,134		526,116	
2007 Refunding					
Serial Bonds 4.0%	7,190,000		145,000	7,045,000	155,000
Term Bonds 4.0%	1,185,000			1,185,000	
Capital Appreciation Bonds	574,990			574,990	
Accretion on Capital					
Appreciation Bonds	119,605	104,364		223,971	
Unamortized Premium	734,901		41,795	693,106	
High School Bonds					
Interest Rate - 2.25%-3.0%	300,000		285,000	15,000	15,000
Unamortized Premium	45,326		24,724	20,602	
Energy Conservation					
Improvement Bonds					
Interest Rate - 4.125%	<u>850,000</u>	<u> </u>	<u>70,259</u>	<u>779,741</u>	<u>73,187</u>
Total Long Term Bonds and Notes	14,432,799	152,498	1,066,778	13,518,519	763,187

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

Capital Leases	273,490	155,611	138,563	290,538	141,425
Compensated Absences	<u>1,066,594</u>	<u> </u>	<u>2,556</u>	<u>1,064,038</u>	<u>24,887</u>
 Total Governmental Activities Long Term Obligations	 <u>\$15,772,883</u>	 <u>\$ 308,109</u>	 <u>\$1,207,897</u>	 <u>\$14,873,095</u>	 <u>\$ 929,499</u>

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

Energy Conservation Improvement Bonds - On March 11, 2008, the District obtained a loan, in the amount of \$850,000, to provide energy conservation measures for the District. The loan was obtained for a ten year period, with final maturity in fiscal year 2018.

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

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

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

Year Ending <u>June 30,</u>	<u>High School Bonds</u>		<u>Middle School Renovation Bonds - 2001</u>		<u>Energy Conservation Improvement Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$15,000	\$185,000	\$ 520,000	\$ 81,690	\$ 73,187	\$ 31,426
2011			540,000	58,100	76,237	28,376
2012			575,000	32,725	79,347	25,266
2013			231,586	382,914	82,721	21,892
2014			213,409	401,091	86,168	18,445
2015 - 2016	<u> </u>	<u> </u>	<u>375,000</u>	<u>29,250</u>	<u>382,081</u>	<u>36,371</u>
Total	<u>\$15,000</u>	<u>\$185,000</u>	<u>\$2,454,995</u>	<u>\$985,770</u>	<u>\$779,741</u>	<u>\$161,776</u>

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
		Middle School Renovation <u>Refunding Bonds - 2007</u>
2010	\$ 155,000	\$ 326,100
2011	160,000	319,800
2012	165,000	313,300
2013	170,000	306,600
2014	180,000	299,600
2015 - 2019	2,179,990	2,811,510
2020 - 2024	4,610,000	712,800
2025 - 2026	<u>1,185,000</u>	<u>29,900</u>
	<u>\$8,804,990</u>	<u>\$5,119,610</u>

NOTE 17 - STATUTORY RESERVES

The District is required by state statute to annually set aside in the general fund an amount based on a statutory formula for the purpose of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purpose in future years. In prior years, the District was also required to set aside money for budget stabilization. The following cash basis information identifies the changes in the fund balance reserves for textbook, capital improvements and budget stabilization during fiscal year 2009.

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Restated Balance 7/1/2008	\$ 233,555		\$ 22,919	\$ 256,474
Required Set-Aside	246,119	\$ 246,119		492,238
Current Year Offsets Qualifying Expenditures	<u>(341,702)</u>	(863,241)	_____	<u>(863,241)</u> <u>(341,702)</u>
Total	<u>\$ 137,972</u>	<u>\$ (617,122)</u>	<u>\$ 22,919</u>	<u>\$ (456,231)</u>
Cash balance carried forward to following year 2009	<u>\$ 137,972</u>	\$ _____	<u>\$ 22,919</u>	<u>\$ 160,891</u>

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 17 - STATUTORY RESERVES (Continued)

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended Ohio Revised Code § 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. S.B. 345 places special restrictions on the use of Bureau of Workers Compensation (BWC) rebate money remaining in the budget stabilization as of April 10, 2001, which is \$22,919 at June 30, 2009. The District is still required by state law to maintain the textbook and capital maintenance reserve.

Amount restricted for textbooks	\$137,972
Amount restricted for budget stabilization	<u>22,919</u>
Total restricted assets	<u>\$160,891</u>

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Computer Association

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

Northern Buckeye Education Council

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

Total disbursements made by the School District to Northern Buckeye Education Council during this fiscal year were approximately \$54,927. These payments include services for NWOCA. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

Penta Career Center

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

The Northwest Ohio Educational Council

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

Ohio Schools Council

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

NOTE 19 - INSURANCE PURCHASING POOL

Ohio Association of School Business Officials Group Rating Program

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

Wood County Insurance Consortium

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

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

Northwest Ohio Educational Council Self Insurance Pool

The District participates in the Northwest Ohio Educational Council Self Insurance Pool (Pool), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Pool is an unincorporated nonprofit association of its members which enable the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a board consisting of

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

superintendents, treasurers, and others. Financial information can be obtained from Paul Brotzki, Treasurer of Maumee City Schools, 2345 Detroit Avenue, Maumee, OH 43437.

NOTE 20 - CONTINGENCIES

Grants

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

Litigation

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

Interfund Transfers

During fiscal year 2009, the General Fund made transfers in the amount of \$114,747 to other governmental funds, to subsidize various programs in other funds.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2009**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education:</i>			
<u>Nutrition Cluster:</u>			
School Breakfast Program	10.553	\$ 40,092	\$ 40,092
National School Lunch Program:	10.555		
Cash Assistance		226,179	226,179
Non-Cash Assistance (Commodities)		48,578	48,578
Total National School Lunch Program		<u>274,757</u>	<u>274,757</u>
Total U.S. Department of Agriculture		<u>314,849</u>	<u>314,849</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	201,446	201,446
Special Education Grants to States	84.027	291,643	291,643
Safe and Drug Free Schools and Communities State Grant	84.186	4,580	4,580
State Grants for Innovative Programs	84.298	5,429	1,598
Education Technology State Grants	84.318	2,118	2,837
Improving Teacher Quality State Grants	84.367	87,243	63,835
Total U.S. Department of Education		<u>592,459</u>	<u>565,939</u>
Total Federal Awards Receipts and Expenditures		<u>\$ 907,308</u>	<u>\$ 880,788</u>

The accompanying notes are an integral part of this Schedule.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Northwood Local School District (the District's) federal award programs' receipts and disbursements. 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.

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 fair 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
Wood County
28090 Lemoyne Road
Millbury, Ohio 43447-9747

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Local School District, Wood County, (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 12, 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 opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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

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.

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We consider finding 2009-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

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

Our consideration of 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 believe the significant deficiency described above is also a material weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated January 12, 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 did note certain noncompliance matters that we reported to the District's management in a separate letter dated January 12, 2010.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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



Mary Taylor, CPA
Auditor of State

January 12, 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
Wood County
28090 Lemoyne Road
Millbury, Ohio 43447-9747

To the Board of Education:

Compliance

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

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

In our opinion, the Lake Local School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2009.

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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. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated January 12, 2010.

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



Mary Taylor, CPA
Auditor of State

January 12, 2010

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	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 Programs (list):	Nutrition Cluster CFDA# 10.553 and 10.555, Special Education Grants to State 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?	No

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

FINDING NUMBER 2009-001

Budgetary Material Weakness

The budgeted amounts on the schedule of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual – General Fund (budget vs. actual statement) should agree to the accounting system and to the legally adopted Certificate of Estimated Receipts and appropriations approved by the Board and authorized by the County Budget Commission. The budget vs. actual statement did agree to the accounting system, but the accounting system was not updated throughout the year to reflect amendments to estimated receipts. This resulted in audit adjustments of \$1,467,331 to the original budget revenue column

and \$1,647,908 to the final budget revenue column of the budget vs. actual statement. We also noted variances between appropriations reported in the financial statements and the Board approved appropriations that did not require adjustment to the financial statements.

Sound financial reporting is the responsibility of the Treasurer and Board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. This practice hinders the monitoring of the budgetary process and could allow the District to spend funds in excess of the amounts available. We recommend the District record estimated receipts as certified by the County Budget Commission in the receipt ledger to allow for the comparison of estimated receipts to those actually received and to ensure the Board's financial statements and notes to the statements are complete and accurate.

Official's Response

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

3. FINDINGS FOR FEDERAL AWARDS

None

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Weaknesses in Athletic and Student Activity Collection and Fundraising Activities.	No	Partially corrected and moved to management letter
2008-002	Errors in Budgetary reporting.	No	Not corrected, repeated as Finding 2009-001 in this report.
2008-003	Errors in Capital Assets reporting.	No	Partially corrected and moved to management letter
2008-004	Ohio Revised Code § 5705.41(B) – Expenditures exceeded appropriations	Yes	

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

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 (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 August 16, 2007.
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 includes 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 and is not intended to be and should not be used by anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

January 12, 2010



Mary Taylor, CPA
Auditor of State

LAKE LOCAL SCHOOL DISTRICT

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 26, 2010**