



**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Lake Local School District
Wood County
28025 Main Street
P.O. Box 151
Millbury, Ohio 43447-0151

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Lake Local School District (the School District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Lake Local School District, Wood County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds 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 December 6, 2001 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

December 6, 2001

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**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Equity in Pooled Cash and Cash Equivalents	\$1,780,447	\$268,587	\$15,532,381	\$14,969,438
Receivables:				
Taxes	5,799,532		1,263,284	225,664
Accounts	6,626	11,045		
Accrued Interest				60,000
Due From Other Funds	1,600			
Intergovernmental Receivable				
Prepaid Items	22,997			
Inventory				
Restricted - Equity in Cash and Cash Equivalents	174,938			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Amount Available in Debt Service Fund				
Amount to be Provided for Retirement of General Long-Term Debt				
Total Assets and Other Debits	\$7,786,140	\$279,632	\$16,795,665	\$15,255,102
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$19,068	\$20,105		\$233,363
Accrued Salaries and Benefits	736,763	9,806		
Due to Student Organizations				
Compensated Absences Payable	27,907			
Due To Other Funds		400		
Intergovernmental Payable	134,179	2,382		
Deferred Revenue	3,376,987		\$583,174	120,581
Capital Lease Payable				
General Obligation Notes Payable				
General Obligation Bonds Payable				
Total Liabilities	4,294,904	32,693	583,174	353,944
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings (Deficit)				
Fund Balance:				
Reserved for Trusts				
Reserved for Encumbrances	93,290	23,408		2,375,186
Reserved for Prepays	22,997			
Reserved for Debt Service			732,381	
Reserved for Property Taxes	2,422,545		680,110	105,083
Reserved for Textbooks and Instructional Materials	120,785			
Reserved for Budget Stabilization	54,153			
Unreserved Fund Balance	777,466	223,531	14,800,000	12,420,889
Total Fund Equity and Other Credits	3,491,236	246,939	16,212,491	14,901,158
Total Liabilities, Fund Equity and Other Credits	\$7,786,140	\$279,632	\$16,795,665	\$15,255,102

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$13,432	\$11,987	\$265,926			\$32,842,198
					7,288,480
118	126	74,985			92,900
					60,000
					1,600
16,477					16,477
					22,997
5,283					5,283
					174,938
			\$6,512,548		6,512,548
				\$16,212,491	16,212,491
				17,150,804	17,150,804
\$35,310	\$12,113	\$340,911	\$6,512,548	\$33,363,295	\$80,380,716
\$10,270	\$865	\$457			\$284,128
13,926					760,495
		28,528			28,528
17,387				\$1,195,272	1,240,566
1,200					1,600
14,890				92,558	244,009
3,922					4,084,664
				138,588	138,588
				15,151,932	15,151,932
				16,784,945	16,784,945
61,595	865	28,985		33,363,295	38,719,455
			\$6,512,548		6,512,548
(26,285)	11,248				(15,037)
		265,203			265,203
		35			2,491,919
					22,997
					732,381
					3,207,738
					120,785
					54,153
		46,688			28,268,574
(26,285)	11,248	311,926	6,512,548		41,661,261
\$35,310	\$12,113	\$340,911	\$6,512,548	\$33,363,295	\$80,380,716

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2001**

	<u>Governmental Fund Type</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
Taxes	\$7,604,968	
Tuition and Fees	194,272	
Intergovernmental	4,128,648	\$587,718
Interest	191,947	1,192
Rent	5,100	
Extracurricular Activities		325,774
Gifts and Donations		17,456
Customer Services	7,083	5,251
Miscellaneous	1,510	26,740
Total Revenues	12,133,528	964,131
Expenditures:		
Current:		
Instruction:		
Regular	4,733,134	269,541
Special	869,520	125,869
Vocational	194,335	
Support Services:		
Pupils	534,025	68,422
Instruction	402,460	45,751
Board of Education	37,683	
School Administration	858,312	20,380
Fiscal	274,391	6,460
Operation and Maintenance of Plant	1,166,111	17,013
Pupil Transportation	745,855	920
Central Services	118,400	6,910
Non-Instructional Services		227,918
Extracurricular Activities	352,958	273,341
Capital Outlay		
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Total Expenditures	10,287,184	1,062,525
Excess of Revenues Over (Under) Expenditures	1,846,344	(98,394)
Other Financing Sources (Uses):		
Operating Transfers In	214,210	44,814
Proceeds From Sale of Bonds and Notes		
Other Financing Sources		54,881
Operating Transfers Out	(259,024)	
Total Other Financing Sources (Uses)	(44,814)	99,695
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,801,530	1,301
Fund Balances at Beginning of Year	1,689,706	245,638
Fund Balances at End of Year	\$3,491,236	\$246,939

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

Governmental Fund Type		Fiduciary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$1,435,078	\$307,634		\$9,347,680
71,891	104,247		194,272
83,132	170,062	\$15,307	4,892,504
			461,640
			5,100
		10,302	336,076
		6,225	23,681
			12,334
			28,250
1,590,101	581,943	31,834	15,301,537
	49,157	7,726	5,059,558
			995,389
			194,335
		7,000	609,447
		2	448,213
			37,683
		2,990	881,682
9,250	3,017	350	293,468
	271,539		1,454,663
		127	746,902
			125,310
		1,050	228,968
			626,299
	328,034		328,034
221,785			221,785
144,529			144,529
375,564	651,747	19,245	12,396,265
1,214,537	(69,804)	12,589	2,905,272
14,800,000	14,800,000		259,024
25,461			29,600,000
			80,342
			(259,024)
14,825,461	14,800,000		29,680,342
16,039,998	14,730,196	12,589	32,585,614
172,493	170,962	34,134	2,312,933
\$16,212,491	\$14,901,158	\$46,723	\$34,898,547

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental and Similar Fund Types
For the Fiscal Year Ended June 30, 2001**

	<u>Governmental Fund Types</u>		
	<u>General Fund</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Total Revenues	\$10,090,670	\$10,277,709	\$187,039
Total Expenditures	10,943,111	10,660,762	282,349
Excess of Revenues Over (Under) Expenditures	(852,441)	(383,053)	469,388
Fund Balances at Beginning of Year	2,114,279	2,114,279	
Prior Year Encumbrances Appropriated	112,617	112,617	
Fund Balances (Deficit) at End of Year	\$1,374,455	\$1,843,843	\$469,388

	<u>Governmental Fund Types</u>		
	<u>Capital Projects Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Total Revenues	\$15,231,278	\$15,230,728	(\$550)
Total Expenditures	15,220,156	2,808,730	12,411,426
Excess of Revenues Over (Under) Expenditures	11,122	12,421,998	12,410,876
Fund Balances at Beginning of Year	19,892	19,892	
Prior Year Encumbrances Appropriated	138,999	138,999	
Fund Balances (Deficit) at End of Year	\$170,013	\$12,580,889	\$12,410,876

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

Governmental Fund Types

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$1,017,739	\$1,054,341	\$36,602	\$15,821,546	\$15,751,643	(\$69,903)
1,146,326	1,100,720	45,606	375,660	375,564	96
(128,587)	(46,379)	82,208	15,445,886	15,376,079	(69,807)
253,533	253,533		156,303	156,303	
18,109	18,109				
\$143,055	\$225,263	\$82,208	\$15,602,189	\$15,532,382	(\$69,807)

Fiduciary Fund Type

Expendable Trust Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$31,000	\$32,335	\$1,335	\$42,192,233	\$42,346,756	\$154,523
24,348	19,325	5,023	27,709,601	14,965,101	12,744,500
6,652	13,010	6,358	14,482,632	27,381,655	12,899,023
33,633	33,633		2,577,640	2,577,640	
46	46		269,771	269,771	
\$40,331	\$46,689	\$6,358	\$17,330,043	\$30,229,066	\$12,899,023

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**Combined Statement of Revenues,
Expenses and Changes in Retained Earnings/ Fund Balance
All Proprietary and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2001**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust Funds</u>	
Operating Revenues:				
Sales	\$341,672	\$2,450		\$344,122
Tuition and Fees		15,773		15,773
Contributions and Donations			\$190,067	190,067
Interest			5,336	5,336
Miscellaneous	5,094	100		5,194
	<hr/>			
Total Operating Revenue	346,766	18,323	195,403	560,492
Operating Expenses:				
Salaries	111,090			111,090
Fringe Benefits	21,180			21,180
Purchased Services	363,190	16,410		379,600
Materials and Supplies	10,734	520		11,254
Cost of Sales	1,685	100		1,785
Miscellaneous	525	40	3,250	3,815
	<hr/>			
Total Operating Expenses	508,404	17,070	3,250	528,724
	<hr/>			
Operating Income (Loss)	(161,638)	1,253	192,153	31,768
Non-Operating Revenues (Expenses):				
Operating Grants	118,494			118,494
Federal Donated Commodities	26,913			26,913
Interest	351			351
	<hr/>			
Total Non-Operating Revenues and (Expenses)	145,758			145,758
	<hr/>			
Net Income (Loss)	(15,880)	1,253	192,153	177,526
	<hr/>			
Retained Earnings/Fund Balance (Deficit) at Beginning of Year	(10,405)	9,995	73,050	72,640
	<hr/>			
Retained Earnings/Fund Balance (Deficit) at End of Year	(\$26,285)	\$11,248	\$265,203	\$250,166
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The notes to the general-purpose financial statements are an integral part of this statement.

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**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**Combined Statement of Revenues, Expenses and Changes in Retained Earnings/ Fund Balance
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Proprietary and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2001**

	<u>Proprietary Fund Types</u>		
	<u>Enterprise Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Total Revenues	\$483,400	\$467,853	(\$15,547)
Total Expenditures	534,356	517,712	16,644
Excess of Revenues Over (Under) Expenditures	(50,956)	(49,859)	1,097
Fund Balance Beginning of Year	15,004	15,004	
Prior Year Encumbrances Appropriated	40,856	40,856	
Fund Balance End of Year	\$4,904	\$6,001	\$1,097

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

<u>Proprietary Fund Types</u>			<u>Fiduciary Fund Type</u>					
<u>Internal Service Funds</u>			<u>Nonexpendable Trust Funds</u>			<u>Totals (Memorandum Only)</u>		
<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$22,500	\$18,197	(\$4,303)	\$119,450	\$120,895	\$1,445	\$625,350	\$606,945	(\$18,405)
21,586	20,337	1,249	3,250	3,250		559,192	541,299	17,893
914	(2,140)	(3,054)	116,200	117,645	1,445	66,158	65,646	(512)
9,652	9,652		73,050	73,050		97,706	97,706	
1,386	1,386					42,242	42,242	
\$11,952	\$8,898	(\$3,054)	\$189,250	\$190,695	\$1,445	\$206,106	\$205,594	(\$512)

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**Combined Statement of Cash Flows
All Proprietary and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2001**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Increase (Decrease) in Cash and Cash Equivalents:				
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$347,403	\$18,198	\$120,895	\$486,496
Cash Payments to Suppliers for Goods and Services	(380,420)	(17,249)	(3,250)	(400,919)
Cash Payments to Employees for Services	(93,192)			(93,192)
Cash Payments for Employee Benefits	(36,669)			(36,669)
Net Cash Provided (Used) by Operating Activities	(162,878)	949	117,645	(44,284)
<u>Cash Flows from Noncapital Financing Activities:</u>				
Operating Grants Received	118,900			118,900
Interest	351			351
Advances-In	1,200			1,200
Net Cash Provided by Noncapital Financing Activities	120,451			120,451
Net Increase (Decrease) in Cash and Cash Equivalents	(42,427)	949	117,645	76,167
Cash and Cash Equivalents at Beginning of Year	55,859	11,038	73,050	139,947
Cash and Cash Equivalents at End of Year	\$13,432	\$11,987	\$190,695	\$216,114

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:

Operating Income (Loss)	(\$161,638)	\$1,253	\$192,153	\$31,768
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>				
Donated Commodities Used During Year	26,913			26,913
Changes in Assets and Liabilities:				
(Increase)/Decrease in Accounts Receivable	637	(126)	(74,508)	(73,997)
(Increase)/Decrease in Commodities Inventory	(8)			(8)
Increase/(Decrease) in Deferred Revenue	(38)			(38)
Increase/(Decrease) in Accounts Payable	(31,153)	(178)		(31,331)
Increase/(Decrease) in Accrued Salaries and Benefits	868			868
Increase/(Decrease) in Intergovernmental Payable	1,959			1,959
Increase/(Decrease) in Compensated Absences Payable	(418)			(418)
Total Adjustments	(1,240)	(304)	(74,508)	(76,052)
Net Cash Provided (Used) by Operating Activities	(\$162,878)	\$949	\$117,645	(\$44,284)

Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2001:

Total Cash and Cash Equivalents per Balance Sheet, Trust and Agency Funds	\$265,926
Cash and Cash Equivalents - Expendable Trust Funds and Agency Funds	75,231
Cash and Cash Equivalents - Nonexpendable Trust Funds as of June 30, 2001	\$190,695

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

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. The School District is the 331st largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by 61 non-certificated employees, 99 certificated full-time teaching personnel who provide services to 1,574 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 School District is associated with three organizations as follows: Northwest Ohio Computer Association, and Penta County Vocational School, which are defined as jointly governed organizations; and the Ohio School Boards Association Workers' Compensation Group Rating Plan, which is an insurance purchasing pool. These organizations are presented in Notes 17, 18, and 19 to the general-purpose 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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

1. Governmental Fund Types

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

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

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

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

2. Proprietary Fund Types

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

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

Internal Service Fund - Internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

3. 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 District's fiduciary funds include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust 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. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be

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determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

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.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2001, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and the nonexpendable trust fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the

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appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Wood County Budget Commission for rate determination.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

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

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The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations

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

D. 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.

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet. During fiscal year 2001, investments were limited to certificates of deposit, STAR Ohio, and federal agency securities.

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 2001. 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, 2001.

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 2001

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amounted to \$191,947, which includes \$66,820 interest earnings assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used. There was no inventory in the governmental funds at June 30, 2001.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, 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.

H. Restricted Funds

Restricted assets in the general fund represents cash set aside to establish budget stabilization and textbook and instructional materials reserve. These reserves are required by state statute and can be used only for specific purposes as specified by state statute. The total restricted cash as of June 30, 2001 was \$174,938. Fund balance reserves have also been established.

I. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

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Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

J. Intergovernmental Revenues

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

- Venture Capital
- Auxiliary Services
- Education Management Information Systems
- Public School Preschool
- Title I
- Title VI
- Title VI-B
- Title VI-R
- Drug-Free Schools
- Goals 2000 Intervention
- Professional Development Block Grant
- Ohio Reads
- Summer School Subsidy
- Extended Learning
- Entry Year
- Eisenhower Funds

Capital Projects Funds

- School Net Plus
- Technology Equity

Reimbursable Grants

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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K. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets. As of June 30, 2001 the balance of interfund assets/liabilities was \$1,600.

L. 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.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

M. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds.

N. Bond Premiums and Discounts

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

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O. Interfund Transactions

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

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

P. 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 prepaids, debt service, encumbrances, textbooks, budget stabilization, and contributions to the nonexpendable trust fund that must be kept intact. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

Q. Total Columns on General-Purpose Financial Statements

Total columns on the general-purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual-All Governmental Fund Types and Expendable Trust Fund(s) and the Combined Statement of Revenues, Expenses and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - (All) Proprietary Fund Type(s) and Nonexpendable Trust Fund(s) are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).

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4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

An analysis of the difference in fund balance at June 30, 2001, as determined under the GAAP basis and budget basis follows:

<u>Governmental and Similar Trust Funds</u>	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP basis	\$3,491,236	\$246,939	\$16,212,491	\$14,901,158	\$46,723
Revenue accruals	(5,807,758)	(11,045)	(1,263,283)	(285,664)	
Expenditure accruals	4,294,904	32,693	583,174	353,944	
Prepaid items	(22,997)				
Encumbrances	(111,542)	(43,324)		(2,388,549)	(34)
Budget basis	<u>\$1,843,843</u>	<u>\$225,263</u>	<u>\$15,532,382</u>	<u>\$12,580,889</u>	<u>\$46,689</u>

<u>Proprietary and Similar Trust Funds</u>	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>
GAAP basis	\$(26,285)	\$11,248	\$265,203
Revenue accrual	(16,595)	(126)	(74,508)
Expense accrual	61,595	865	
Inventory held for resale	(5,283)		
Encumbrances	(7,431)	(3,089)	
Budget basis	<u>\$6,001</u>	<u>\$8,898</u>	<u>\$190,695</u>

NOTE 4 - ACCOUNTABILITY

Deficit Retained Earnings

Retained earnings at June 30, 2001 included the following fund deficits:

<u>Proprietary Fund Types</u>	<u>Deficit Balance</u>
Food Service Fund	<u>(\$37,204)</u>

This GAAP deficit will be funded by anticipated future intergovernmental revenues not recognized and recorded at June 30. This deficit does not exist on the budget-basis of accounting which complies with State law.

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NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two 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.
6. The State Treasurer's investment pool (STAR Ohio);

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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.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand - At fiscal year end, the School District had \$2,316 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".

Deposits - At fiscal year end, the carrying amount of the School District's deposits was \$12,280,462 and the bank balance was \$12,503,871. Of the bank balance, \$896,000 was covered by federal depository insurance and \$11,607,871 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments - The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

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	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying/ Market Value</u>
Federal Agency Securities	\$3,034,329			\$3,034,329
Investments not subject to categorization:				
STAR Ohio				17,700,029
Total Investments				\$20,734,358

Investments are reported at fair value. The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses in investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. No unrealized gain or loss has been recorded at year end.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting,".

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement 9	\$33,017,136	
Cash on Hand	(2,316)	
Investments:		
Federal Agency Securities	(3,034,329)	\$3,034,329
STAR Ohio	(17,700,029)	17,700,029
GASB Statement 3	\$12,280,462	\$20,734,358

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 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

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

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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 County. 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, 2001, are available to finance fiscal year 2001 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, 2001. 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 2001 taxes were collected are:

	<u>2000 Second-Half Collections</u>		<u>2001 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$157,069,850	73.77%	\$161,203,060	74.63%
Public Utility	25,406,880	11.93	23,166,520	10.73
Tangible Personal Property	30,454,954	14.30	31,630,080	14.64
Total Assessed Value	<u>\$212,931,684</u>	<u>100.00%</u>	<u>\$215,999,660</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$49.80</u>		<u>\$54.85</u>	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2001, consisted of both property and income taxes, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

Enterprise Fund	<u>Amount</u>
	<u>\$16,477</u>

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001 follows:

Furniture and Equipment	\$128,130
Less Accumulated Depreciation	<u>128,130</u>
Net Fixed Assets	<u><u> </u></u>

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

A summary of the changes in general fixed assets during fiscal year 2001 follows:

<u>Asset Category</u>	<u>Balance at 6/30/00</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/01</u>
Land and Improvements	\$61,709	\$5,672		\$67,381
Buildings and Improvements	2,912,888	289,477		3,202,365
Furniture, Fixtures, and Equipment	2,029,214	81,147	\$105,629	2,004,732
Vehicles	1,035,183	228,097	25,210	1,238,070
Total	<u>\$6,038,994</u>	<u>\$604,393</u>	<u>\$130,839</u>	<u>\$6,512,548</u>

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, error and omissions, injuries to employees, and natural disasters.

During 2001, the District contracted with Nationwide/Wausau Insurance Company for general liability insurance and Nationwide Insurance Company for property and boiler and machinery insurance. Professional liability is protected by Nationwide Insurance Company with \$2,000,000 each occurrence, \$5,000,000 aggregate limit.

Vehicles are covered by Nationwide Insurance Company and hold a \$100 deductible for comprehensive and \$250 for collision. Automobile liability has a \$2,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years.

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

The District provides employee life insurance and accidental death and dismemberment insurance to its employees through Coresource in the following amounts, \$35,000 for certified employees and \$30,000 for its classified employees and for administrators an amount equal to their salary, which is \$100,000 for the superintendent.

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 Coresource of Westerville, Ohio. The plan provides a medical/surgical plan with a \$50 single and \$100 family deductible. The plan also provides prescription drug care through the major medical portion of the plan. An alternative plan is also offered through Paramount with the same deductible rates and is administered by Coresource of Westerville, Ohio. Dental care is provided through United Concordia and vision insurance through Vision Service Plan.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Board. SERS provides retirement benefits 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 State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available,

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215, or by calling (614)222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 4.2 percent was portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 5.5 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$183,811, \$186,307, and \$182,467, respectively.

B. State Teachers Retirement System

The Lake Local School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614)227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the Lake Local School District is required to contribute 14 percent, 9.5 percent was the portion used to fund pension obligations.. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$705,328, \$710,583, and \$680,620, respectively.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. As of July 1, 2000, eligible benefit recipients totaled 99,011. For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

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

For this fiscal year, employer contributions to fund health care benefits were 9.8 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund. The number of participants currently receiving health care benefits is approximately 50,000. For the fiscal year ended June 30, 2000, net health care costs paid by SERS were \$140,696,340.

NOTE 12 - COMPENSATED ABSENCES AND JUDGMENTS

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 270 days. A percentage of unused sick time is paid at retirement at a rate of 25 percent of accumulated sick leave to a maximum of sixty-seven and one half days at the daily rate of pay being received at the time of final service. Accumulated vacation and sick leave of Governmental Fund type employees have been recorded in the appropriate Governmental Fund as a current liability to the extent that the amounts are expected to be payable within the current period. The balance of the liability is recorded in the General Long-Term Obligation Account Group. Vacation and sick leave for employees paid from the Proprietary Funds is recorded as an expense when earned and as a fund liability.

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

The School District has entered into capitalized leases for equipment and furniture and fixtures. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of equipment and furniture and fixtures have been capitalized in the general fixed assets account group in the amount of \$175,091. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2001 totaled \$39,737 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, 2001.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

<u>Fiscal Year Ending June 30,</u>	<u>GLTDAG</u>
2,002	\$66,786
2,003	34,404
2,004	31,460
2,005	31,460
2,006	<u>15,730</u>
Total	179,840
Less: Amount Representing Interest	<u>41,252</u>
Present Value of Net Minimum Lease Payments	<u><u>\$138,588</u></u>

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	<u>Principal Outstanding 6/30/00</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/01</u>
General Obligation Bond Anticipation Notes:				
School Improvement Note- 4.87%		\$10,000,000		\$10,000,000
School Improvement Note- 3.94%		<u>4,800,000</u>		<u>4,800,000</u>
Total General Obligation Bond Anticipation Notes		14,800,000		14,800,000
School Improvement Bonds Interest Rate - Various	\$2,145,000	14,800,000	\$160,055	16,784,945
Energy Conservation Notes HB 264 Interest Rate 4.35 to 5.10%	<u>413,662</u>		<u>61,730</u>	<u>351,932</u>
Total Long-Term Bonds and Notes	<u>2,558,662</u>	<u>29,600,000</u>	<u>221,785</u>	<u>31,936,877</u>
Capital Leases	69,028	109,297	39,737	138,588
Accrued Benefits	74,504	18,054		92,558
Compensated Absences	<u>1,227,192</u>		<u>31,920</u>	<u>1,195,272</u>
Total General Long-Term Obligations	<u><u>\$3,929,386</u></u>	<u><u>\$29,727,351</u></u>	<u><u>\$293,442</u></u>	<u><u>\$33,363,295</u></u>

By Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50% of anticipated revenue collections. The School District has issued bond anticipation notes which will be repaid at maturity with bond proceeds. The School Improvement Notes mature on August 9, 2001.

Additions and deletions of accrued benefits and compensated absences are shown net since it is impractical for the District to determine these amounts separately.

The annual requirements to amortize all bond and note debt outstanding as of June 30, 2001, including interest payments of \$606,514, \$48,351, and \$11,993,921 are as follows:

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

Year Ending June 30,	General Obligation Bonds	HB 264 Conservation Notes	Middle School Renovation Bonds / Notes	Total
2002	\$287,165	\$80,057	\$15,701,462	\$16,068,684
2003	287,317	80,057	1,044,200	1,411,574
2004	291,093	80,057	1,090,490	1,461,640
2005	288,594	80,057	1,089,617	1,458,268
2006	290,312	80,057	1,087,530	1,457,899
2007-26	1,147,031		21,580,617	22,727,648
Total	<u>\$2,591,512</u>	<u>\$400,285</u>	<u>\$41,593,916</u>	<u>\$44,585,713</u>

NOTE 15 - 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 purchase 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 purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2001, only the unspent portion of certain workers' compensation refunds is required to be set aside at fiscal year end.

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Balance 7/1/2000	\$37,890		\$54,153	\$92,043
Required Set-Aside	241,035	\$241,035		482,070
Offset Credits				
Qualifying Expenditures	(158,140)	(275,494)		(433,634)
Total	<u>\$120,785</u>	<u>\$(34,459)</u>	<u>\$54,153</u>	<u>\$140,479</u>
Cash balance carried forward to following year 2001	<u>\$120,785</u>		<u>\$54,153</u>	<u>\$174,938</u>

Although the School District had off-sets and qualifying disbursements during the year that reduced the set-aside amounts for the capital maintenance reserve below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Lake Local School District as of and for the fiscal year ended June 30, 2001.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$298,243	\$48,523	\$346,766
Operating Expenses			
Less Depreciation	463,147	45,257	508,404
Depreciation Expense			
Operating Income (Loss)	(164,904)	3,266	(161,638)
Donated Commodities	26,913		26,913
Operating Grants	118,494		118,494
Interest	351		351
Net Income (Loss)	(19,146)	3,266	(15,880)
Net Working Capital	(19,817)	10,919	(8,898)
Total Assets	21,816	13,494	35,310
Total Equity	(37,204)	10,919	(26,285)
Encumbrances Outstanding at June 30, 2001	5,000	2,431	7,431

NOTE 17 - JOINT VENTURE

Northwest Ohio Computer Association

The School District is a participant in the Northwest Ohio Computer Association (NWOCA) which is a computer consortium. NWOCA serves forty public education entities and sixty non-public education entities in Defiance, Fulton, Henry, Lucas, Williams, and Wood counties in northwestern Ohio. NWOCA is owned and operated by the Northern Buckeye Education Council (NBEC). NWOCA and NBEC provide data processing services, student services and educational technology services to the member school districts. Financial information can be obtained from Cindy Siler, who serves as Treasurer, 22-900 State Route 34, Archbold, Ohio 43502

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

Penta County Joint Vocational School - The Penta County Joint Vocational School 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 board who represent the local districts. This board possesses its own budgeting and taxing authority. To obtain financial information write to the Penta County Joint Vocational School, Carrie Herringshaw, who serves as Treasurer, at 30095 Oregon Road, Perrysburg, Ohio 43551-4594.

NOTE 19 - INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

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, 2001.

State School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 6, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsiderations.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.



STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Lake Local School District
Wood County
28025 Main Street
P.O. Box 151
Millbury, Ohio 43447-0151

To the Board of Education:

We have audited the financial statements of Lake Local School District (the School District) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 6, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. We noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated December 6, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the School District in a separate letter dated December 6, 2001.

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

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

Jim Petro
Auditor of State

December 6, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Columbus, Ohio 43216-1140
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800-282-0370
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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 10, 2002**