



Mary Taylor, CPA
Auditor of State

**LAKE LOCAL SCHOOL DISTRICT
STARK COUNTY**

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STARK COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Robert R. Hinkle, CPA
Chief Deputy Auditor

March 9, 2009

Lake Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

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

Financial Highlights

Key Financial Highlights for 2008 are as follows:

- ❑ General Revenues accounted for \$31.0 million in revenue or 87.0% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4.6 million or 13.0% of total revenues of \$35.6 million.
- ❑ Total program expenses were \$34.1 million, \$32.8 million in Governmental Activities, \$1.3 million in Business Type Activities.
- ❑ In total, net assets increased \$1.6 million which is \$2.0 million over fiscal year 2007. Net assets of governmental activities increased \$1.6 million, and net assets of business-type activities decreased \$5,022 from 2007.
- ❑ Long term obligations decreased \$.6 million through payments of principal and related liabilities of \$.9 million and an increase in accretion of \$.3 million.

Using this Annual Report

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Lake Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

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

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

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

The government-wide financial statements begin on page 13.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

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

Lake Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

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

The governmental fund financial statements begin on page 16.

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

The proprietary fund financial statements begin on page 22.

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

The fiduciary fund financial statements begin on page 25.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 27.

Lake Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2008 compared to 2007:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current and Other Assets	\$ 23,531,482	\$ 23,075,101	\$ 427,864	\$ 485,581	\$ 23,959,346	\$ 23,560,682
Capital Assets	36,436,649	37,203,896	182,293	125,486	36,618,942	37,329,382
Total Assets	59,968,131	60,278,997	610,157	611,067	60,578,288	60,890,064
Liabilities						
Long-Term Liabilities	27,319,700	28,181,426	14,043	12,457	27,333,743	28,193,883
Other Liabilities	17,734,439	18,745,315	113,044	110,518	17,847,483	18,855,833
Total Liabilities	45,054,139	46,926,741	127,087	122,975	45,181,226	47,049,716
Net Assets						
Invested in Capital Assets Net of Debt	11,605,168	11,842,724	182,293	125,486	11,787,461	11,968,210
Restricted	1,609,548	1,562,087	0	0	1,609,548	1,562,087
Unrestricted (Deficit)	1,699,276	(52,555)	300,777	362,606	2,000,053	310,051
Total Net Assets	\$ 14,913,992	\$ 13,352,256	\$ 483,070	\$ 488,092	\$ 15,397,062	\$ 13,840,348

Total net assets increased by \$1.6 million with governmental activities comprising most of that amount. Assets and liabilities decreased \$.3 million and \$1.9 million, respectively. Depreciation exceeded capital asset acquisitions by \$.7 million contributing to the decrease in assets. A decrease in deferred tax revenue of \$.8 million and principal payments on debt of \$.9 million significantly decreased liabilities in fiscal year 2008.

Lake Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

Table 2 shows the changes in net assets for fiscal year 2008 compared to 2007.

(Table 2)
Governmental and Business-Type Activities

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 767,716	\$ 796,527	\$ 986,644	\$ 1,015,299	\$ 1,754,360	\$ 1,811,826
Operating Grants	2,564,795	2,465,849	314,463	237,575	2,879,258	2,703,424
Capital Grants and Contributions	508	0	0	0	508	0
<i>General Revenue:</i>						
Property Taxes	14,994,324	12,843,153	0	0	14,994,324	12,843,153
Grants and Entitlements	15,514,645	14,495,054	0	0	15,514,645	14,495,054
Other Revenue	476,264	578,579	12,757	15,932	489,021	594,511
Total Revenues	34,318,252	31,179,162	1,313,864	1,268,806	35,632,116	32,447,968
Program Expenses						
Instruction	17,818,675	17,276,397	0	0	17,818,675	17,276,397
Support Services	12,149,928	11,828,965	0	0	12,149,928	11,828,965
Operation of Non-Instructional	480,183	495,041	0	0	480,183	495,041
Extracurricular Activities	972,198	823,507	0	0	972,198	823,507
Interest and Fiscal Charges	1,337,358	1,345,511	0	0	1,337,358	1,345,511
Enterprise Funds	0	0	1,317,060	1,166,602	1,317,060	1,166,602
Total Expenses	32,758,342	31,769,421	1,317,060	1,166,602	34,075,402	32,936,023
Increase (Decrease) in Net Assets before Transfers	1,559,910	(590,259)	(3,196)	102,204	1,556,714	(488,055)
Net Transfers	1,826	(4,256)	(1,826)	4,256	0	0
Increase (Decrease) in Net Assets	\$ 1,561,736	\$ (594,515)	\$ (5,022)	\$ 106,460	\$ 1,556,714	\$ (488,055)

Governmental and business-type activities revenues increased \$3.1 million and \$.04 million, respectively over fiscal year 2007. An increase in property taxes and grant revenues accounts for the increase in the governmental activities. Total program expenses increased \$1.1 million from fiscal year 2007 mostly in the instruction and student support areas due to normal salary increases.

Lake Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

Governmental Activities

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

(Table 3)
Governmental Activities

	2008		2007	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 17,818,675	\$ 15,659,921	\$ 17,276,397	\$ 15,170,426
Support Services:				
Pupil and Instructional Staff	2,562,845	2,389,781	2,312,580	2,149,198
Board of Education, Administration, Fiscal and Business	3,333,177	3,177,582	3,193,173	3,035,593
Operation and Maintenance of Plant	3,809,128	3,793,620	4,224,656	4,209,656
Pupil Transportation	2,280,037	2,280,037	1,939,802	1,939,802
Central	164,741	85,754	158,754	69,959
Operation of Non-Instructional	480,183	16,066	495,041	62,294
Extracurricular Activities	972,198	685,204	823,507	524,606
Interest and Fiscal Charges	1,337,358	1,337,358	1,345,511	1,345,511
Total Expenses	<u>\$ 32,758,342</u>	<u>\$ 29,425,323</u>	<u>\$ 31,769,421</u>	<u>\$ 28,507,045</u>

Instruction and Student Support Services comprise 62.2% of governmental program expenses. Interest and fiscal charges were approximately 4.1%. Interest expense was attributable to the outstanding general obligation bonds and costs related to the refunding. Pupil transportation and the operation and maintenance of facilities accounts for 18.6% of governmental program expenses.

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

Lake Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

Business-Type Activities

Business-type activities include our adult and supplemental education programs, the food service operation and the sale of uniform school supplies. These programs had total revenues of \$1.3 million and expenses of \$1.3 million for fiscal year 2008.

Financial Analysis of the Government's Funds

Governmental Funds

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

The School District's governmental funds (as presented on the balance sheet on page 16) reported a total fund balance of \$5.1 million, which is \$1.4 million more than last year's balance of \$3.7 million. The most significant changes within the School District's major funds was reported in the general fund with an increase in fund balance of \$1.4 million.

General Fund

The general fund is the main operating fund of the School District. At the end of 2008, the fund balance in the general fund was \$3.7 million, which is an increase of \$1.4 million from 2007. An increase in taxes and grant revenue contributed to revenues exceeding expenditures during fiscal year 2008.

Debt Service Fund

The debt service fund is the School District fund that accumulates tax revenues to pay general obligation bonds. At the end of 2008, the fund balance in the debt service fund was \$1.1 million, which is an insignificant decrease of less than \$30,000.

General Fund Budgeting Highlights

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

For the general fund, final budget basis revenue was \$30.0 million, which is less than \$25,000 under original budget estimates of \$30.1 million.

Final general fund appropriations were \$29.3 million, \$.6 million over the \$28.7 million in the original budget with the differences mostly in instruction. Actual revenues and expenditures were in-line with final budgeted revenues and expenditures.

Lake Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School District had \$36.6 million invested in land, buildings and improvements, furniture and equipment, vehicles and instructional media. Table 4 shows fiscal year 2008 balances compared with 2007.

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

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 2,993,257	\$ 2,993,257	\$ 0	\$ 0	\$ 2,993,257	\$ 2,993,257
Buildings and Improvements	30,425,514	31,325,648	0	0	30,425,514	31,325,648
Furniture and Equipment	1,902,474	1,801,381	182,293	125,486	2,084,767	1,926,867
Vehicles	1,113,839	1,083,610	0	0	1,113,839	1,083,610
Instructional Media	1,565	0	0	0	1,565	0
Totals	\$ 36,436,649	\$ 37,203,896	\$ 182,293	\$ 125,486	\$ 36,618,942	\$ 37,329,382

The \$.7 million decrease in capital assets was attributable to depreciation exceeding additions and disposals. For additional information see Note 9.

Lake Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

Debt

At June 30, 2008, the School District had \$26.1 million in bonds outstanding with \$1.0 million due within one year. During fiscal year 2008, \$1.0 million of general obligation bonds were retired and \$.3 million of accretion was recorded. For additional information see Note 14. Table 5 summarizes bonds outstanding.

(Table 5)
Outstanding Debt, at June 30

	Governmental Activities	
	2008	2007
General Obligation Bonds:		
2000 Improvement 5.8%	\$ 1,640,000	\$ 1,640,000
2000 Capital Appreciation Bonds	205,760	432,058
2000 Capital Appreciation Bonds - Accretion	529,389	961,309
2003 Real Estate Acquisition 3.79%	50,000	100,000
2005 Refunding	20,040,000	20,240,000
2005 Capital Appreciation Bonds	954,950	954,950
2005 Capital Appreciation Bonds - Accretion	568,400	356,222
2005 Unamortized Bond Premium	2,146,912	2,168,092
	\$ 26,135,411	\$ 26,852,631

Current Issues

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

During FY08, the District received the State's highest designation, "Excellent with Distinction", having met all 30 out of 30 state indicators. This ranking follows three consecutive years with a rating of "Excellent" demonstrating Lake's continued commitment to our stakeholders. Our Performance Index of 107.2 is a further improvement versus last year's index of 104.7, and places the District 12th out of 610 (top 1.97%) public school districts in the state. In addition, Lake met all indicators for Adequate Yearly Progress (AYP) and was recognized at Performance Above Expected Growth on the Overall Composite Value Added Measure.

Effective July 2006 the District entered into a new negotiated contract with our certificated staff through June 2010. This agreement grandfathered a negotiated wage increase of 3.5% for FY07 to be consistent with our then current classified agreement but caps negotiated increases in each of the next three years at 3.0%. The most significant aspect of this agreement is that it calls for increased cost sharing of our employees relative to the rapidly increasing expense of medical/dental insurance coverage. Over the past five years the District's medical/dental insurance premium has increased an average of 9.4% annually. Effective with FY08, employees contributed 5% to the District's premium expense with a 10% annual contribution to be effective in FY09 and thereafter. This is a significant contribution on the part of our employees and one that will focus everyone's attention on the need to control the increase in the cost of

Lake Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

medical/dental coverage. Our classified staff approved a similar negotiated agreement to be effective July 2007 through June 2011.

The District, like most districts throughout the State, continues to rely heavily on local property taxes for the continued support of public education. During FY08 approximately 46% of our total revenue was derived from local sources. Passage of the District's 11.1 mill operating levy in February 2006 was designed to allow the District to operate through FY10 and has provided numerous opportunities to expand upon the District's Excellence. However, in light of the current economic circumstances and continued uncertainty relative to Foundation funding from the state, the District is monitoring all funding scenarios and prudently providing the necessary resources to maintain our current level of Excellent with Distinction in both curricular and extra-curricular programs.

As a result of the State's tobacco securitization financing initiated by Governor Strickland and approved by the Ohio General Assembly, the District was notified in August 2007 that it qualified to participate with the State as a partner in a Classroom Facilities Assistance Program (CFAP) Project. Although we had anticipated that funding would be available at some point in time, it was the general feeling of the District that this would not occur until at least 2010. The District's participation was approved by the Ohio School Facilities Commission in July 2008 and by the State Controlling Board in August 2008. In the meantime the District has formed a Facility Design Team consisting of community leaders and members of the District administrative team to work with our selected architect and the state appointed construction manager relative to the initial planning and design phase of the project. The CFAP Project, including \$1.5 million in District Locally Funded Initiatives (LFIs), will total \$71.0 million with \$41.2 million (58%) funded by the State and \$29.8 million (42%) funded by the District. The District is in the process of forming a community based committee to support the issue and will place the 4.4 mill bond issue along with a 0.5 mill permanent improvement levy on the ballot for the February 3rd Special Election. The District recognizes the significant benefit by partnering with the State in this project and, in doing so, will be able to meet the needs of our students, staff and community for years to come.

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

Contacting the School District's Financial Management

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

Lake Local School District
Statement of Net Assets
June 30, 2008

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 8,676,927	\$ 396,008	\$ 9,072,935
Receivables:			
Taxes	14,490,807	0	14,490,807
Accounts	6,039	0	6,039
Internal Balances	7,087	(7,087)	0
Intergovernmental	94,333	23,740	118,073
Inventory	0	15,203	15,203
Deferred Charges - Issuance Costs	256,289	0	256,289
Nondepreciable Capital Assets	2,993,257	0	2,993,257
Depreciable Capital Assets (Net)	33,443,392	182,293	33,625,685
<i>Total Assets</i>	<u>59,968,131</u>	<u>610,157</u>	<u>60,578,288</u>
Liabilities			
Accounts Payable	131,089	2,975	134,064
Accrued Wages and Benefits	3,135,064	77,742	3,212,806
Intergovernmental Payable	847,414	32,327	879,741
Deferred Revenue	13,355,027	0	13,355,027
Accrued Interest Payable	89,253	0	89,253
Matured Compensated Absences	176,592	0	176,592
Long Term Liabilities:			
Due Within One Year	1,282,539	2,275	1,284,814
Due in More Than One Year	26,037,161	11,768	26,048,929
<i>Total Liabilities</i>	<u>45,054,139</u>	<u>127,087</u>	<u>45,181,226</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	11,605,168	182,293	11,787,461
Restricted for:			
Capital Projects	103,639	0	103,639
Debt Service	1,158,922	0	1,158,922
Other Purposes	346,987	0	346,987
Unrestricted	1,699,276	300,777	2,000,053
<i>Total Net Assets</i>	<u>\$ 14,913,992</u>	<u>\$ 483,070</u>	<u>\$ 15,397,062</u>

See accompanying notes and accountants' compilation report.

Lake Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2008

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest
Governmental Activities				
Current:				
Instruction:				
Regular	\$ 13,409,593	\$ 222,678	\$ 112,075	\$ 0
Special	2,873,628	0	1,791,196	0
Vocational	447,133	0	32,805	0
Other	1,088,321	0	0	0
Support services:				
Pupils	933,803	36,048	0	0
Instructional Staff	1,629,042	0	137,016	0
Board of Education	23,637	0	0	0
Administration	2,583,747	0	12,586	0
Fiscal	644,254	143,009	0	0
Business	81,539	0	0	0
Operation and Maintenance of Plant	3,809,128	0	15,000	508
Pupil Transportation	2,280,037	0	0	0
Central	164,741	78,987	0	0
Operation of Non-Instructional Services	480,183	0	464,117	0
Extracurricular Activities	972,198	286,994	0	0
Interest and Fiscal Charges	1,337,358	0	0	0
<i>Total Governmental Activities</i>	<u>32,758,342</u>	<u>767,716</u>	<u>2,564,795</u>	<u>508</u>
Business-Type Activities				
Food Service	1,009,014	706,420	314,463	0
Uniform School Supplies	161,430	149,272	0	0
Adult Education	500	0	0	0
Supplemental Education	146,116	130,952	0	0
<i>Total Business-Type Activities</i>	<u>1,317,060</u>	<u>986,644</u>	<u>314,463</u>	<u>0</u>
<i>Totals</i>	<u>\$ 34,075,402</u>	<u>\$ 1,754,360</u>	<u>\$ 2,879,258</u>	<u>\$ 508</u>

General Revenues

Property Taxes Levied for:

General Purposes

Debt Service

Grants and Entitlements not Restricted

to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Net Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes and accountants' compilation report.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (13,074,840)	\$ 0	\$ (13,074,840)
(1,082,432)	0	(1,082,432)
(414,328)	0	(414,328)
(1,088,321)	0	(1,088,321)
(897,755)	0	(897,755)
(1,492,026)	0	(1,492,026)
(23,637)	0	(23,637)
(2,571,161)	0	(2,571,161)
(501,245)	0	(501,245)
(81,539)	0	(81,539)
(3,793,620)	0	(3,793,620)
(2,280,037)	0	(2,280,037)
(85,754)	0	(85,754)
(16,066)	0	(16,066)
(685,204)	0	(685,204)
(1,337,358)	0	(1,337,358)
<u>(29,425,323)</u>	<u>0</u>	<u>(29,425,323)</u>
0	11,869	11,869
0	(12,158)	(12,158)
0	(500)	(500)
<u>0</u>	<u>(15,164)</u>	<u>(15,164)</u>
0	(15,953)	(15,953)
<u>(29,425,323)</u>	<u>(15,953)</u>	<u>(29,441,276)</u>
13,240,451	0	13,240,451
1,753,873	0	1,753,873
15,514,645	0	15,514,645
392,897	10,893	403,790
<u>83,367</u>	<u>1,864</u>	<u>85,231</u>
30,985,233	12,757	30,997,990
<u>1,826</u>	<u>(1,826)</u>	<u>0</u>
1,561,736	(5,022)	1,556,714
<u>13,352,256</u>	<u>488,092</u>	<u>13,840,348</u>
<u>\$ 14,913,992</u>	<u>\$ 483,070</u>	<u>\$ 15,397,062</u>

See accompanying notes and accountants' compilation report.

Lake Local School District
Balance Sheet
Governmental Funds
June 30, 2008

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 7,064,957	\$ 1,019,582	\$ 496,490	\$ 8,581,029
Cash and Cash Equivalents:				
Restricted Cash	95,898	0	0	95,898
Receivables:				
Taxes	12,595,552	1,895,255	0	14,490,807
Accounts	3,426	0	2,613	6,039
Interfund	31,453	0	0	31,453
Intergovernmental	0	0	94,333	94,333
<i>Total Assets</i>	<u>\$ 19,791,286</u>	<u>\$ 2,914,837</u>	<u>\$ 593,436</u>	<u>\$ 23,299,559</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 96,434	\$ 0	\$ 34,655	\$ 131,089
Accrued Wages and Benefits	3,053,793	0	81,271	3,135,064
Interfund Payable	0	0	24,366	24,366
Intergovernmental Payable	835,557	0	11,857	847,414
Deferred Revenue	11,967,932	1,805,185	94,333	13,867,450
Matured Compensated Absences	176,592	0	0	176,592
<i>Total Liabilities</i>	16,130,308	1,805,185	246,482	18,181,975
Fund Balances				
Reserved for Encumbrances	419,065	0	75,987	495,052
Reserved for Tax Revenue Unavailable for Appropriation	627,620	90,070	0	717,690
Reserved for Budget Stabilization	95,898	0	0	95,898
Unreserved, Undesignated, Reported in:				
General Fund	2,518,395	0	0	2,518,395
Special Revenue Funds	0	0	177,213	177,213
Debt Service Fund	0	1,019,582	0	1,019,582
Capital Projects Funds	0	0	93,754	93,754
<i>Total Fund Balances</i>	<u>3,660,978</u>	<u>1,109,652</u>	<u>346,954</u>	<u>5,117,584</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 19,791,286</u>	<u>\$ 2,914,837</u>	<u>\$ 593,436</u>	<u>\$ 23,299,559</u>

See accompanying notes and accountants' compilation report.

Lake Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets Governmental Activities
 June 30, 2008*

Total Governmental Fund Balances	\$	5,117,584
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		36,436,649
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Grants	\$ 94,333	
Delinquent Property Taxes	418,090	512,423
Bond issuance costs reported as an expenditure in the funds are allocated as an expense over the life of the debt on an accrual basis.		256,289
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.		
General Obligation Bonds	(21,730,000)	
Capital Appreciation Bonds	(1,160,710)	
Accretion on Capital Appreciation Bonds	(1,097,789)	
Bond Premium	(2,146,912)	
Compensated Absences	(1,134,141)	
Capital Lease Payable	(50,148)	
Accrued Interest	(89,253)	(27,408,953)
 Net Assets of Governmental Activities	 \$	 <u>14,913,992</u>

See accompanying notes and accountants' compilation report.

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

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 13,184,911	\$ 1,743,363	\$ 0	\$ 14,928,274
Intergovernmental	16,119,361	233,358	1,731,320	18,084,039
Investment Income	392,897	0	3,167	396,064
Tuition and Fees	186,292	0	29,932	216,224
Extracurricular Activities	0	0	408,483	408,483
Rentals	143,009	0	0	143,009
Gifts and Donations	0	0	15,000	15,000
Miscellaneous	19,435	0	48,932	68,367
<i>Total Revenues</i>	30,045,905	1,976,721	2,236,834	34,259,460
Expenditures:				
Current:				
Instruction:				
Regular	13,217,686	0	137,962	13,355,648
Special	1,894,759	0	984,635	2,879,394
Vocational	411,199	0	30,231	441,430
Other	1,082,927	0	0	1,082,927
Support Services:				
Pupils	934,575	0	45,601	980,176
Instructional Staff	1,465,025	0	143,551	1,608,576
Board of Education	23,637	0	0	23,637
Administration	2,593,650	0	14,390	2,608,040
Fiscal	622,015	27,746	0	649,761
Business	81,217	0	0	81,217
Operation and Maintenance of Plant	2,994,011	0	0	2,994,011
Pupil Transportation	2,201,008	0	0	2,201,008
Central	53,320	0	108,920	162,240
Operation of Non-Instructional Services	28,523	0	438,465	466,988
Extracurricular Activities	657,668	0	268,915	926,583
Capital outlay	274,571	0	15,178	289,749
Debt Service:				
Principal Retirement	46,858	476,298	0	523,156
Interest and Fiscal Charges	2,838	1,555,172	0	1,558,010
<i>Total Expenditures</i>	28,585,487	2,059,216	2,187,848	32,832,551
<i>Excess of Revenues Over (Under) Expenditures</i>	1,460,418	(82,495)	48,986	1,426,909
Other Financing Sources (Uses):				
Transfers In	0	53,789	1,826	55,615
Transfers Out	(53,789)	0	0	(53,789)
<i>Total Financing Sources and (Uses)</i>	(53,789)	53,789	1,826	1,826
<i>Net Change in Fund Balance</i>	1,406,629	(28,706)	50,812	1,428,735
<i>Fund Balance (Deficit) at Beginning of Year</i>	2,254,349	1,138,358	296,142	3,688,849
<i>Fund Balance (Deficit) at End of Year</i>	\$ 3,660,978	\$ 1,109,652	\$ 346,954	\$ 5,117,584

See accompanying notes and accountants' compilation report.

Lake Local School District
Reconciliation of the Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$	1,428,735
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Asset Additions	\$ 701,768	
Current Year Depreciation	<u>(1,414,192)</u>	(712,424)

Net effect of transactions involving sale of capital assets are not reflected in the funds.		(54,823)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Grants	(7,258)	
Delinquent Property Taxes	<u>66,050</u>	58,792

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Bond Premium Amortization	21,180	
Bond Principal	476,298	
Accreted Interest on Matured Capital Appreciation Bonds	488,702	
Capital Leases	<u>46,858</u>	1,033,038

In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.		(5,625)
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Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.

Decrease in Compensated Absences	97,648	
Bond Accretion	(268,960)	
Amortization of Issuance Costs	<u>(14,645)</u>	<u>(185,957)</u>

Change in Net Assets of Governmental Activities	\$	<u><u>1,561,736</u></u>
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See accompanying notes and accountants' compilation report.

Lake Local School District
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2008*

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 13,200,196	\$ 13,161,991	\$ 13,161,991	\$ 0
Intergovernmental	16,032,514	16,119,361	16,119,361	0
Investment Income	550,000	392,897	392,897	0
Tuition and Fees	149,350	186,292	186,292	0
Rentals	101,250	150,041	150,041	0
Miscellaneous	19,000	19,435	19,435	0
<i>Total Revenues</i>	<u>30,052,310</u>	<u>30,030,017</u>	<u>30,030,017</u>	<u>0</u>
Expenditures:				
Current				
Instruction	16,417,998	16,817,147	16,817,147	0
Support Services:				
Pupils	1,009,725	975,176	975,176	0
Instructional Staff	1,430,826	1,475,037	1,475,037	0
Board of Education	23,410	23,629	23,629	0
Administration	2,759,623	2,767,253	2,767,253	0
Fiscal	530,343	630,216	630,216	0
Business	77,889	81,944	81,944	0
Operation and Maintenance of Plant	3,386,416	3,204,999	3,204,999	0
Pupil Transportation	2,055,750	2,216,369	2,216,369	0
Central	69,875	55,780	55,780	0
Operation of Non-Instructional Services	38,136	30,136	30,136	0
Extracurricular Activities	645,665	646,583	646,583	0
Capital Outlay	201,112	292,616	292,616	0
Debt Service				
Principal Retirement	46,858	46,858	46,858	0
Interest and Fiscal Charges	2,838	2,838	2,838	0
<i>Total Expenditures</i>	<u>28,696,464</u>	<u>29,266,581</u>	<u>29,266,581</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	1,355,846	763,436	763,436	0
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	0	4,260	4,260	0
Advances In	37,538	57,788	57,788	0
Advances Out	0	(31,453)	(31,453)	0
Transfers Out	0	(53,789)	(53,789)	0
<i>Total Other Financing Sources (Uses)</i>	<u>37,538</u>	<u>(23,194)</u>	<u>(23,194)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	1,393,384	740,242	740,242	0
<i>Fund Balance (Deficit) at Beginning of Year (Restated, See Note 3)</i>	5,143,222	5,143,222	5,143,222	0
Prior Year Encumbrances Appropriated	<u>765,405</u>	<u>765,405</u>	<u>765,405</u>	<u>0</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 7,302,011</u>	<u>\$ 6,648,869</u>	<u>\$ 6,648,869</u>	<u>\$ 0</u>

See accompanying notes and accountants' compilation report.

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Lake Local School District
Statement of Fund Net Assets
Proprietary Funds
June 30, 2008

		NonMajor Enterprise Funds
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$	396,008
Intergovernmental Receivable		23,740
Inventory		15,203
<i>Total Current Assets</i>		434,951
Non Current Assets:		
Depreciable Capital Assets (Net)		182,293
<i>Total Assets</i>		617,244
Liabilities		
Current Liabilities:		
Accounts Payable		2,975
Accrued Wages and Benefits		77,742
Compensated Absences Payable		2,275
Interfund Payable		7,087
Intergovernmental Payable		32,327
<i>Total Current Liabilities</i>		122,406
Long Term Liabilities:		
Compensated Absences		11,768
<i>Total Liabilities</i>		134,174
Net Assets		
Invested in Capital Assets		182,293
Unrestricted		300,777
<i>Total Net Assets</i>	\$	483,070

See accompanying notes and accountants' compilation report.

Lake Local School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2008

	NonMajor Enterprise Funds
Operating Revenues:	
Tuition	\$ 130,952
Sales	706,420
Charges for Services	149,272
Other Operating Revenues	1,864
<i>Total Operating Revenues</i>	988,508
Operating Expenses:	
Salaries	468,909
Fringe Benefits	124,952
Purchased Services	36,297
Materials and Supplies	670,881
Depreciation	15,764
Other	257
<i>Total Operating Expenses</i>	1,317,060
Operating Income (Loss)	(328,552)
Non-Operating Revenues (Expenses):	
Federal Donated Commodities	98,192
Grants	216,271
Interest	10,893
<i>Total Non-Operating Revenues (Expenses)</i>	325,356
<i>Income (Loss) Before Transfers</i>	(3,196)
Transfers Out	(1,826)
<i>Change in Net Assets</i>	(5,022)
<i>Net Assets (Deficit) Beginning of Year</i>	488,092
<i>Net Assets (Deficit) End of Year</i>	\$ 483,070

See accompanying notes and accountants' compilation report.

Lake Local School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2008

	NonMajor Enterprise Funds
Cash Flows From Operating Activities:	
Cash Received from Customers	\$ 986,644
Other Cash Receipts	1,864
Cash Paid for Goods and Services	(752,471)
Cash Paid to Employees	(445,937)
	(209,900)
<i>Net Cash Provided By (Used For) Operating Activities</i>	
Cash Flows From Non-Capital Financing Activities:	
Transfers to Other Funds	(1,826)
Advances to Other Funds	(2,019)
Advances from Other Funds	7,087
Grants Received	215,178
	218,420
<i>Net Cash Provided By (Used For) Non-Capital Financing Activities</i>	
Cash Flows From Investing Activities:	
Interest on Investments	10,893
Cash Flows From Capital and Related Financing Activities:	
Payment for Capital Acquisitions	(75,574)
	(56,161)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	
<i>Cash and Cash Equivalents at Beginning of Year</i>	452,169
<i>Cash and Cash Equivalents at End of Year</i>	\$ 396,008
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Operating Income (Loss)	\$ (328,552)
Adjustments:	
Depreciation	15,764
Federal Donated Commodities	98,192
Loss on Disposal of Assets	3,003
(Increase) Decrease Assets	
Inventory	(2,419)
Increase (Decrease) in Liabilities	
Accounts Payable	(5,424)
Accrued Wages and Benefits	6,018
Compensated Absences Payable	1,586
Due to Other Governments	1,932
	118,652
<i>Total Adjustments</i>	118,652
<i>Net Cash Provided By (Used For) Operating Activities</i>	\$ (209,900)

Noncash items:

The Food Service Fund received \$98,192 in Federally Donated Commodities.

See accompanying notes and accountants' compilation report.

Lake Local School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2008

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 89,416</u>
Liabilities	
Undistributed Monies	\$ 667
Due to Students	<u>88,749</u>
<i>Total Liabilities</i>	<u>\$ 89,416</u>

See accompanying notes and accountants' compilation report.

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Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 1 - Description of the School District

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by the State and federal agencies. The Board of Education controls the School District's five school buildings, community complex, athletic complex, transportation/maintenance facility, and administrative office staffed by 243 certified employees and 161 non-certified employees who provide services to 3,637 students and other community members.

Reporting Entity

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

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

The School District participates in one jointly governed organization and one public entity risk pool. These organizations include the Stark/Portage Area Computer Consortium (SPARCC) and the Stark County Schools Council of Government. These organizations are presented in Notes 10 and 19 to the basic financial statements.

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

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

Note 2 - Summary of Significant Accounting Policies

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

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

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

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

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

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

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

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

C. Measurement Focus

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

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

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

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

D. Basis of Accounting

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

E. Cash and Cash Equivalents

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

During fiscal year 2008, investments were limited to STAROhio (the State Treasurer's Investment Pool).

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

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2008. Certificates of deposit and repurchase agreements are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$392,897, which includes \$72,361 assigned from other School District funds.

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

F. Inventory

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

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

G. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the General Fund include amounts set aside as a reserve for budget stabilization, which is now optional as determined by the School District. See Note 21 for additional information regarding set asides.

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

H. Capital Assets

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

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

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

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

I. Interfund Balances

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

J. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future.

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

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

K. Accrued Liabilities and Long-term Obligations

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

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

L. Net Assets

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

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

M. Fund Balance Reserves

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

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

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

N. Operating Revenues and Expenses

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

O. Contributions of Capital

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

P. Interfund Activity

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

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

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

R. 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.

S. Budgetary Data

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

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Board. Throughout the fiscal year, the primary level of budgetary control was at the function level within the General Fund. For all other funds, the legal level of control was at the fund level.

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

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

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

T. Implementation of New Accounting Policies

For the year ended 2008, the School District has implemented GASB Statement No. 45, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*”, GASB Statement No. 48, “*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*”, GASB Statement No. 49, “*Accounting and Financial Reporting for Pollution Remediation Obligations*”, and GASB Statement No. 50, “*Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27.*”

GASB Statement No. 45 provides guidance on all aspects of OPEB reporting by employers. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

GASB Statement No. 48 provides guidance on accounting for sales and pledges of receivables and future revenues. The Statement also requires governments to disclose in the notes to the financial statements the amount of future revenues that have been pledged or sold.

GASB Statement No. 49 provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts.

GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statement No. 25, “*Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*”, and GASB Statement No. 27, “*Accounting for Pensions by State and Local Governmental Employers*”, to conform with requirements of GASB Statement No. 43, “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*”, and GASB

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Notes to the Basic Financial Statements
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Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”.

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

Note 3 – Restatement of Fund Balance

The following is a summary of an adjustment to the beginning balance of the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual for the general fund, which is needed to agree with the actual cash balances of the School District.

	<u>General Fund</u>
Fund Balance June 30, 2007	\$ 5,630,937
Adjustment	(487,715)
Restated Fund Balance July 1, 2007	\$ 5,143,222

Note 4 - Fund Deficits/Compliance

Fund balances at June 30, 2008 included the following individual fund deficits:

	<u>Deficit Fund Balance</u>
Nonmajor Funds:	
IDEA-B	\$ 31,957
Vocational	1,847
Title III	2,625
Title I	15,566
Title V	5,576
Drug Free	1,205
Title II-A	8,670

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

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance/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 Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual, is presented for the general fund on the budgetary basis to provide a

Lake Local School District
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meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

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

Net Change in Fund Balance

	General
GAAP Basis	\$ 1,406,629
Net Adjustment for Revenue Accruals	(11,628)
Advances In	57,788
Net Adjustment for Expenditure Accruals	(169,108)
Advances Out	(31,453)
Adjustment for Encumbrances	(511,986)
Budget Basis	\$ 740,242

Note 6 - Deposits and Investments

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Lake Local School District
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For the Fiscal Year Ended June 30, 2008

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

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

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

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

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

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

Deposits: The carrying value of the School District's deposits totaled \$655,824 and the bank balances of the deposits totaled \$743,083. Of the bank balance, \$100,000 was covered by depository insurance; and \$643,083 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments

Investments are reported at fair value. As of June 30, 2008, the School District had the following investment:

	Fair Value	Investment Maturities (in months) 0 - 6
STAROhio	\$ 8,505,527	\$ 8,505,527

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

Credit Risk: The School District's investment at June 30, 2008 in STAROhio was rated AAAM by Standard & Poor's.

Lake Local School District
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Concentration of Credit Risk: The School District diversifies its investments by security, type, and institution. With the exception of direct obligations of the U. S. Treasury and STAROhio, no more than 25% of the School District's total investment portfolio will be invested in a single security type or with a single financial institution. The School District's only investment at June 30, 2008 was in STAROhio.

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 2008 for real and public utility property taxes represents collections of calendar 2007 taxes. Property tax revenue received during calendar 2008 for tangible personal property (other than public utility property) is for calendar 2008 taxes.

2008 real property taxes are levied after April 1, 2008, on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35% of true value. 2008 public utility property taxes became a lien December 31, 2007, are levied after April 1, 2007 and are collected in 2008 with real property taxes.

2008 tangible personal property taxes are levied after April 1, 2008, on the value as of December 31, 2007. Collections are made in 2008. In prior years, tangible personal property was assessed at 25% of true value for capital assets and 24% of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory was 12.5% for 2007 and is 6.25% for 2008. This will be reduced to zero for 2009. Payments 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. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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

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

Lake Local School District
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	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$413,481,650	96.39%	\$425,437,940	97.76%
Public Utility Personal	6,503,110	1.52%	4,297,100	0.99%
Tangible Personal Property	<u>8,975,228</u>	<u>2.09%</u>	<u>5,445,987</u>	<u>1.25%</u>
Total	<u>\$428,959,988</u>	<u>100.00%</u>	<u>\$435,181,027</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$71.00		 \$71.30	

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Stark and Portage Counties. The County Auditors periodically advance to the School District their portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

The amount available as an advance at June 30, 2008, was \$717,690 and is recognized as revenue. \$627,620 was available to the general fund and \$90,070 was available to the debt service fund.

Note 8 - Receivables

Receivables at June 30, 2008, consisted of taxes, accounts (student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. The intergovernmental receivables of \$94,333 consisted of operating grants in various special revenue funds and \$23,740 in the food service fund.

Lake Local School District
Notes to the Basic Financial Statements
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Note 9 - Capital Assets

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

	<u>Balance 6/30/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/08</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 2,993,257	\$ 0	\$ 0	\$ 2,993,257
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	38,518,147	0	0	38,518,147
Furniture and Equipment	5,008,977	419,169	(498,656)	4,929,490
Vehicles	2,438,373	280,852	(184,018)	2,535,207
Textbooks	772,811	1,747	0	774,558
Total Capital Assets, being depreciated	<u>46,738,308</u>	<u>701,768</u>	<u>(682,674)</u>	<u>46,757,402</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(7,192,499)	(900,134)	0	(8,092,633)
Furniture and Equipment	(3,207,596)	(285,511)	466,091	(3,027,016)
Vehicles	(1,354,763)	(228,365)	161,760	(1,421,368)
Textbooks	(772,811)	(182)	0	(772,993)
Total Accumulated Depreciation	<u>(12,527,669)</u>	<u>(1,414,192)</u>	<u>627,851</u>	<u>(13,314,010)</u>
Total Capital Assets being depreciated, net	<u>34,210,639</u>	<u>(712,424)</u>	<u>(54,823)</u>	<u>33,443,392</u>
Governmental Activities Capital Assets, Net	<u>\$ 37,203,896</u>	<u>\$ (712,424)</u>	<u>\$ (54,823)</u>	<u>\$ 36,436,649</u>
Business-Type Activities				
<i>Capital Assets being depreciated</i>				
Furniture and Equipment	\$ 289,541	\$ 75,574	\$ (15,011)	\$ 350,104
Less Accumulated Depreciation	<u>(164,055)</u>	<u>(15,764)</u>	<u>12,008</u>	<u>(167,811)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 125,486</u>	<u>\$ 59,810</u>	<u>\$ (3,003)</u>	<u>\$ 182,293</u>

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

<i>Governmental Activities:</i>	
Instruction:	
Regular	\$ 232,165
Special	9,059
Vocational	5,112
Support Services:	
Pupil	12,415
Instructional Staff	12,829
Administration	26,075
Fiscal	1,159
Operation and Maintenance of Plant	832,861
Pupil Transportation	222,151
Central	2,501
Operation of Non-Instructional Services	13,705
Extracurricular Activities	44,160
	<hr/>
Total Governmental Activities	<u>\$ 1,414,192</u>
 <i>Business-Type Activities:</i>	
Food Service	<u>\$ 15,764</u>

Note 10 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2008, the School District contracted with the following insurance companies:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage Amount</u>
Indiana Insurance	Property Coverage	
	Blanket Building and Contents	\$ 73,463,515
	Inland Marine	Based on items listed
	Automobile Liability	1,000,000
	General Liability	
	Each occurrence	1,000,000
	Aggregate	2,000,000
	Umbrella	5,000,000

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

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

B. Workers' Compensation

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

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

C. Health Insurance

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

Note 11 - Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 320 days. Upon retirement, employees receive payment for one-fourth of the total accumulated sick leave, up to a maximum accumulation of 52 days for those employees with ten or more years of service, and 67 days for those employees with twenty or more years of service to the Board of Education. Additionally, at retirement, \$10 is paid for each day of sick leave accumulated above 200 days, up to the maximum allowed.

Note 12 - Defined Benefit Pension Plans

A. School Employees Retirement System

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

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Columbus, Ohio 43215-3746 or by calling (614) 222-5853. It is also posted on SERS' website, www.ohsers.org, under forms and publications.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2007 the amount was 10% and for fiscal year 2006 the amount was 10.58%. The contributions to SERS for pension obligations for the fiscal years ended June 30, 2008, 2007, and 2006 were \$405,133, \$399,344 and \$450,665, respectively; 50% has been contributed for fiscal year 2008 and 100% for the fiscal years 2007 and 2006. \$309,600 represents the unpaid contribution for fiscal year 2008, and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5% of earned compensation among various investment accounts. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001 were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2008, plan members were required to contribute 10% of their annual covered salaries. The District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13%. Contribution

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,790,622, \$1,719,874 and \$1,616,322, respectively. Contributions to the DC and Combined Plans for fiscal year 2008 were \$22,212 made by the School District and \$40,536 made by the plan members. 83% has been contributed for fiscal year 2008 and 100% for fiscal years 2007 and 2006. \$331,960 represents the unpaid contribution for fiscal year 2008, and is recorded as a liability within the respective funds.

C. Social Security System

Members of the Board of Education have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2008, one member of the Board of Education has elected Social Security. The Board's liability is 6.2% of wages paid.

Note 13 - Postemployment Benefits

A. State Teachers Retirement System

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

Ohio law authorized STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to Health Care Stabilization Fund for the years ended June 30, 2008, 2007 and 2006. The School District's contributions for health care for fiscal years ended June 30, 2008, 2007 and 2006 were \$137,728, \$128,808 and \$125,574, respectively.

B. School Employees Retirement System

The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by SERS for non-certified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan included hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Forms and Publications*.

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2008, the health care allocation was 4.18%, at June 30, 2007 the allocation was 3.32% and at June 30, 2006, the allocation was 3.42%. The District's contributions for the years ended June 30, 2008, 2007 and 2006 were \$184,875, \$132,582 and \$145,678, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2008, the minimum compensation level was established at \$35,800. For the School District during fiscal year 2008 this amounted to \$57,134.

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

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 14 - Long - Term Obligations

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

	Outstanding 06/30/07	Additions	Reductions	Outstanding 06/30/08	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds:					
2000 Improvement 5.80%	\$ 1,640,000	\$ 0	\$ 0	\$ 1,640,000	\$ 0
2000 Capital Appreciation Bonds	432,058	0	226,298	205,760	205,760
Accretion of Interest	961,309	56,782	488,702	529,389	529,389
2003 Real Estate Acquisition 3.79%	100,000	0	50,000	50,000	50,000
2005 Refunding of Bonds					
Serial Bonds \$21,000,000 at 3.00% - 5.00%	20,240,000	0	200,000	20,040,000	205,000
Capital Appreciation Bonds at 4.17% - 4.45%	954,950	0	0	954,950	0
Accretion of Interest	356,222	212,178	0	568,400	0
Unamortized Bond Premium	2,168,092	0	21,180	2,146,912	0
Total General Obligation Bonds	26,852,631	268,960	986,180	26,135,411	990,149
Compensated Absences	1,231,789	193,850	291,498	1,134,141	267,747
Capital Leases	97,006	0	46,858	50,148	24,643
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 28,181,426</u>	<u>\$ 462,810</u>	<u>\$ 1,324,536</u>	<u>\$ 27,319,700</u>	<u>\$ 1,282,539</u>
Business-Type Activities					
Compensated Absences	<u>\$ 12,457</u>	<u>\$ 1,586</u>	<u>\$ 0</u>	<u>\$ 14,043</u>	<u>\$ 2,275</u>

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

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

2005 School Improvement Refunding Bonds

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

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

These refunding bonds were issued with a premium of \$2,267,276, which was reported as an increase to bonds payable. The amounts are being amortized to interest expenses over the life of the bonds using the bonds outstanding method. Amortization of \$21,180 was recorded for June 30, 2008. The issuance costs were reported as an expenditure. These costs will be deferred and amortized over the life of the bonds within the government-wide financial statements. The issuance resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of \$1,489,124. The issuance resulted in an economic gain of \$991,927.

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

The capital appreciation bonds mature December 1, 2012, 2013 and 2014. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$3,450,000. For fiscal year 2008, \$212,178 was accreted for a liability of \$1,523,350.

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

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2008 are as follows:

Fiscal Year Ending June 30,	Serial Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2009	\$ 255,000	\$ 1,058,499	\$ 205,760	\$ 549,240	\$ 460,760	\$ 1,607,739
2010	1,010,000	1,029,255	0	0	1,010,000	1,029,255
2011	1,060,000	979,290	0	0	1,060,000	979,290
2012	1,110,000	934,175	0	0	1,110,000	934,175
2013	0	914,750	367,069	782,931	367,069	1,697,681
2014 - 2018	3,625,000	4,308,125	587,881	1,712,119	4,212,881	6,020,244
2019 - 2023	7,350,000	2,784,250	0	0	7,350,000	2,784,250
2024 - 2027	7,320,000	754,000	0	0	7,320,000	754,000
Total	\$ 21,730,000	\$ 12,762,344	\$ 1,160,710	\$ 3,044,290	\$ 22,890,710	\$ 15,806,634

Note 15 - Capitalized Leases

Capital lease obligations relate to equipment which is leased under a long-term agreement. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standard No. 13 "Accounting for Leases". Capital lease payments in the governmental funds have been reclassified and are reflected as debt service in the basic financial statements for the general fund. These expenditures are reflected as program/function expenditures on a budgetary basis. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2008.

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Year	Amount
2009	\$ 26,398
2010	26,398
Total Minimum Lease Payments	52,796
Less Amount Representing Interest	2,648
Present Value of Minimum Lease Payments	\$ 50,148

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

Note 16 - Deferred Revenue

Deferred revenue at June 30, 2008 consisted of the following:

	Statement of Net Assets	Balance Sheet
Property Taxes Receivable	\$ 13,355,027	\$ 13,773,117
Grants Receivable	0	94,333
Deferred Revenue	\$ 13,355,027	\$ 13,867,450

Note 17 - Interfund Transfers

Transfers for the year ended June 30, 2008 consisted of the following:

	Transfers In	Transfers Out
General Fund	\$ 0	\$ 53,789
Debt Service Fund	53,789	0
Nonmajor Governmental Funds	1,826	0
Nonmajor Enterprise Funds	0	1,826
	\$ 55,615	\$ 55,615

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. During fiscal year 2008, the food service fund transferred shared vending machine revenue to the high school principal's account.

Note 18 - Interfund Balances

Interfund receivables/payables at June 30, 2008 consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$ 31,453	\$ 0
Nonmajor Governmental Funds	0	24,366
Nonmajor Enterprise Funds	0	7,087
	\$ 31,453	\$ 31,453

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2008, all interfund payables outstanding are anticipated to be repaid in fiscal year 2009.

Note 19 - Jointly Governed Organization

The Stark Portage Area Computer Consortium (SPARCC) is a jointly governed organization comprised of 31 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports SPARCC based upon a per pupil charge dependent upon the software package utilized. The SPARCC assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. SPARCC is governed by a board of directors chosen from the general membership of the SPARCC assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county in which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Stark County Education Services Center, which serves as fiscal agent, located at 2100 38th Street, NW, Canton, Ohio 44709. The School District paid \$23,165 to SPARCC for basic services in fiscal year 2008.

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 20 - Contingencies

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

Note 21 - Set-Asides

Substitute House Bill 412, as amended, required the School District to “set aside” certain percentages of defined revenues for (1) textbook and instructional materials purchases, and (2) capital and maintenance expenditures. As of April 10, 2001, any money on hand in a School District’s budget reserve set-aside account may at the discretion of the Board be returned to the School District’s general fund or may be left in the account and used by the Board to offset any budget deficit the School District may experience in future years. The amendment places special conditions on any refunds or rebates from the Bureau of Workers’ Compensation (BWC). These monies are to be used to offset a budget deficit for school facility construction, renovation or repair, textbooks or instructional materials; for the purchase of school buses; or for teachers’ professional development. It also required five year budget projections, amended the fiscal watch and fiscal emergency statutes, created a school district solvency fund, and amended “spending reserve” provisions. During the fiscal year June 30, 2008, the reserve activity (cash basis) was as follows:

	BWC Reserve	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Total
Set-Aside Cash Balance as of June 30, 2007	\$ 95,898	\$ 0	\$ 0	\$ 95,898
Set-Aside Carryover Balance as of June 30, 2007	0	0	(1,435,634)	(1,435,634)
Current Year Set-Aside Requirement	0	551,594	551,594	1,103,188
Qualifying Disbursements	0	(1,262,457)	(993,950)	(2,256,407)
Total	<u>\$ 95,898</u>	<u>\$ (710,863)</u>	<u>\$(1,877,990)</u>	<u>\$ (2,492,955)</u>
Amount for Set-Asides	<u>\$ 95,898</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 95,898</u>
Balance Carried Forward to Fiscal Year 2009			<u>\$(1,877,990)</u>	<u>\$ 95,898</u>

The School District had qualifying disbursements during the year that reduced the capital improvements and textbook reserve set-asides below zero. These extra amounts may only be used to reduce the set-aside requirement of future years for the purchase of textbooks and/or instructional materials.

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

LAKE LOCAL SCHOOL DISTRICT
STARK COUNTY
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/ Pass Through Grantor/ Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program	N/A	10.550		\$54,200		\$54,200
Nutrition Cluster: National School Lunch Program	2,008	10.555	\$210,114		\$210,114	
Total U.S. Department of Agriculture			210,114	54,200	210,114	54,200
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster: Special Education Grants to States	2007 2008	84.027	58,992 834,111		46,775 854,315	
Total Special Education Cluster			893,103		901,090	
Title I, Grants to Local Educational Agencies	2007 2008	84.010	62,125 186,476		33,657 188,063	
Total Title I, Grants to Local Educational Agencies			248,601		221,720	
Title II-A, Improving Teacher Quality State Grants	2007 2008	84.367	17,769 57,776		12,941 52,649	
Total Title II-A, Improving Teacher Quality State Grants			75,545		65,590	
Title IV-A, Drug Free Schools Grant	2007 2008	84.186	0 9,281		0 8,729	
Total Title IV-A, Drug Free Schools Grant			9,281		8,729	
Title III, English Language Acquisition Grants	2007 2008	84.365	4,405 15,846		3,386 14,955	
Total Title III, English Language Acquisition Grants			20,251		18,341	
Title II-D, Education Technology State Grants	2007 2008	84.318	121 232		0 0	
Total Title II-D, Education Technology State Grants			353		0	
Title V, Innovative Educational Program Strategies	2007 2008	84.298	5,005 4,100		3,381 4,266	
Total Title V, Innovative Education Program Strategies			9,105		7,647	
<i>Passed Through Plain Local School District - Fiscal Agent of Compact:</i>						
Vocational Education Basic Grants to States		84.048	32,805		29,939	
Total U.S. Department of Education			1,289,044		1,253,056	
Totals			\$1,499,158	\$54,200	\$1,463,170	\$54,200

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

**LAKE LOCAL SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION PROGRAM

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



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 9, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

We noted certain matters that we reported to the District's management in a separate letter dated March 9, 2009.

Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated March 9, 2009.

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



Robert R. Hinkle, CPA
Chief Deputy Auditor

March 9, 2009



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Lake Local School District, Stark County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal 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, 2008.

In a separate letter to the District's management dated March 9, 2009, we reported other matters related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

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

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

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

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

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



Robert R. Hinkle, CPA
Chief Deputy Auditor

March 9, 2009

**LAKE LOCAL SCHOOL DISTRICT
STARK COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	School Breakfast Program CFDA # 10.553 & National School Lunch Program CFDA #10.555 and Title I, Grants to Local Educational Agencies CFDA # 84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

**LAKE LOCAL SCHOOL DISTRICT
STARK COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Rev. Code Section 5705.41(D) – 22% of the expenditures tested were not certified as to the availability of funds by the District Treasurer prior to incurring the obligation.	No	Partially corrected. Comment presented in the Management Letter.



Mary Taylor, CPA
Auditor of State

LAKE LOCAL SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 31, 2009**