



Mary Taylor, CPA
Auditor of State

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets – Modified Cash Basis – June 30, 2011	13
Statement of Activities – Modified Cash Basis – For the Fiscal Year Ended June 30, 2011	14
Fund Financial Statements	
Statement of Assets and Fund Balances	
Modified Cash Basis - Governmental Funds – June 30, 2011	15
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances – Modified Cash Basis - Governmental Funds – For the Fiscal Year Ended June 30, 2011	16
Statement of Receipts, Disbursements, and Change in Fund Balance - Budget and Actual – Budget Basis - General Fund - For the Fiscal Year Ended June 30, 2011	17
Statement of Fiduciary Net Assets – Modified Cash Basis – Fiduciary Funds – June 30, 2011	18
Statement of Changes in Fiduciary Net Assets – Modified Cash Basis Fiduciary Funds – For the Fiscal Year Ended June 30, 2011	19
Notes to the Basic Financial Statements	21
Schedule of Federal Awards Receipts and Expenditures.....	45
Notes to the Schedule of Federal Awards Receipts and Expenditures	46
Independent Accountants' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required By <i>Government Auditing Standards</i>	47
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular 133.....	49
Schedule of Findings – OMB Circular A-133	51
Schedule of Prior Audit Findings.....	54
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	55

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Indian Lake Local School District, Logan County (the District), as of and for the fiscal year ended June 30, 2011, 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.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Indian Lake Local School District, Logan County, as of June 30, 2011, and the respective changes in cash financial position and the respective 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 October 6, 2011, 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.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402

Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

www.auditor.state.oh.us

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

October 6, 2011

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The management's discussion and analysis of the Indian Lake Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2011, within the limitations of the District's modified cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the modified cash basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2011 are as follows:

- The total net cash assets of the District decreased \$177,169 or 2.16% from fiscal year 2010.
- General cash receipts accounted for \$17,657,634 or 80.37% of total governmental activities cash receipts. Program specific cash receipts accounted for \$4,311,597 or 19.63% of total governmental activities cash receipts.
- The District had \$22,146,400 in cash disbursements related to governmental activities; \$4,311,597 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes and grants and entitlements) of \$17,657,634 were not adequate to provide for these programs.
- The District's major funds are the general fund, the bond retirement fund, the permanent improvement fund, and the building fund. The general fund, the District's largest major fund, had cash receipts and other financing sources of \$16,721,441 in fiscal year 2011. The cash disbursements and other financing uses of the general fund, totaled \$16,165,795 in fiscal year 2011. The general fund cash balance increased \$555,646 during fiscal year 2011.
- The bond retirement fund, a District major fund, had cash receipts of \$2,377,055 in fiscal year 2011. The bond retirement fund had cash disbursements of \$2,532,431 in fiscal year 2011. The bond retirement fund cash balance decreased \$155,376 during fiscal year 2011.
- The permanent improvement fund, a District major fund, had cash receipts of \$134,240 in fiscal year 2011. The permanent improvement fund had cash disbursements and other financing uses of \$559,996 in fiscal year 2011. The permanent improvement fund cash balance decreased \$425,756 during fiscal year 2011.
- The building fund, a District major fund, had cash receipts of \$1,510 in fiscal year 2011. The building fund had cash disbursements of \$192,277 in fiscal year 2011. The building fund cash balance decreased \$190,767 during fiscal year 2011.

Using the Modified Cash Basis Basic Financial Statements (BFS)

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's modified cash basis of accounting.

The statement of net assets – modified cash basis and statement of activities – modified cash basis provide information about the activities of the whole District, presenting an aggregate view of the District's modified cash basis 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 District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, there are four major governmental funds. The general fund is the largest major fund.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

The statement of net assets – modified cash basis and the statement of activities – modified cash basis answer the question, “How did we do financially during fiscal year 2011?” These statements include only net assets using the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year’s receipts and disbursements if the cash is actually received or paid.

These two statements report the District’s net cash assets and changes in those assets on a modified cash basis. This change in net cash assets is important because it tells the reader that, for the District as a whole, the modified cash basis financial position of the 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 District’s property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs and other factors.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

In the statement of activities – modified cash basis, the governmental activities include District’s programs and services including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The statement of net assets – modified cash basis and the statement of activities – modified cash basis can be found on pages 13-14 of this report.

Reporting the 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 District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the District’s major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District’s most significant funds. The District’s major governmental funds are the general fund, bond retirement fund, permanent improvement fund and building fund. The analysis of the District’s major governmental funds begins on page 8.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Governmental Funds

Most of the 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 the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer modified cash basis financial resources that can be readily spent to finance various District programs.

Since the District is reporting on the modified cash basis of accounting, there are no differences in the net cash assets and fund cash balances or changes in net cash assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 15-16 of this report.

The District's budgetary process accounts for certain transactions on a modified cash basis. The budgetary statement for the general fund is presented to demonstrate the District's compliance with annually adopted budgets. The budgetary statement can be found on page 17 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary funds are a private-purpose trust fund and an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets – modified cash basis and changes in fiduciary net assets – modified cash basis on pages 18-19. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-44 of this report.

Government-Wide Financial Analysis

Recall that the statement of net assets – modified cash basis provides the perspective of the District as a whole.

The table below provides a summary of the District's net cash assets at June 30, 2011 and June 30, 2010.

	Net Cash Assets	
	Governmental Activities 2011	Governmental Activities 2010
Assets:		
Equity in pooled cash and cash equivalents	\$8,037,624	\$8,214,793
Total assets	<u>8,037,624</u>	<u>8,214,793</u>
Net Cash Assets:		
Restricted	3,522,371	4,715,675
Unrestricted	4,515,253	3,499,118
Total net cash assets	<u>\$8,037,624</u>	<u>\$8,214,793</u>

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

The total net cash assets of the District decreased \$177,169, which represents a 2.16% decrease from fiscal year 2010.

The balance of government-wide unrestricted net cash assets of \$4,515,253 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net cash assets for fiscal years 2011 and 2010.

Change in Net Cash Assets		
	Governmental Activities 2011	Governmental Activities 2010
Cash receipts:		
Program cash receipts:		
Charges for services and sales	\$1,492,747	\$1,459,748
Operating grants and contributions	2,818,850	1,921,582
Total program cash receipts	<u>4,311,597</u>	<u>3,381,330</u>
General cash receipts:		
Property and other taxes	10,724,369	10,833,299
Unrestricted grants	6,725,258	7,122,930
Investment earnings	8,518	61,442
Miscellaneous	199,489	232,918
Total general cash receipts	<u>17,657,634</u>	<u>18,250,589</u>
Total cash receipts	<u>21,969,231</u>	<u>21,631,919</u>
Cash disbursements:		
Current:		
Instruction:		
Regular	7,732,728	7,581,509
Special	1,691,934	1,908,960
Vocational	253,281	254,602
Other	1,302,783	1,336,167
Support services:		
Pupil	610,724	584,895
Instructional staff	1,189,822	1,114,388
Board of education	17,529	27,461
Administration	1,488,438	1,485,580
Fiscal	550,507	538,997
Operations and maintenance	1,538,528	1,693,939
Pupil transportation	1,226,039	1,138,656
Central	355,696	354,963
Operation of non-instruction	944	40,082
Food service operations	837,283	796,112
Extracurricular	645,741	611,768
Facilities acquisition and construction	225,092	4,733,463
Debt service:		
Principal retirement	1,023,285	879,540
Interest and fiscal charges	1,456,046	1,463,910
Total cash disbursements	<u>22,146,400</u>	<u>26,544,992</u>
Change in net cash assets	(177,169)	(4,913,073)
Net cash assets at beginning of year	8,214,793	13,127,866
Net cash assets at end of year	<u>\$8,037,624</u>	<u>\$8,214,793</u>

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

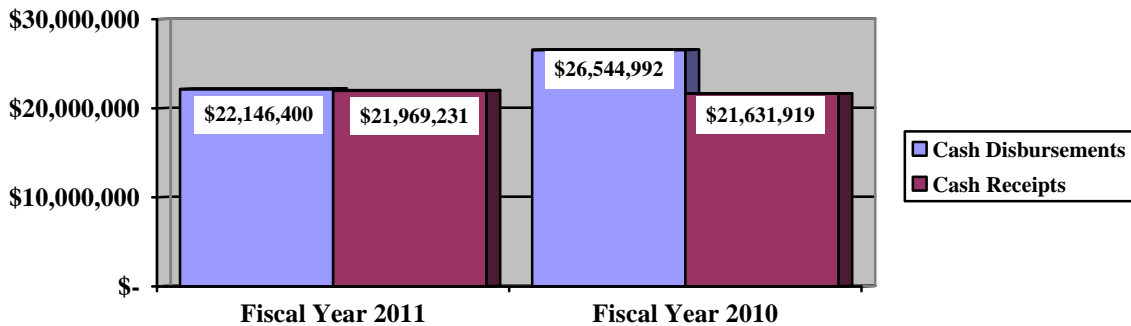
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Governmental Activities

Governmental net cash assets decreased by \$177,169 in fiscal year 2011. Total governmental disbursements of \$22,146,400 were offset by program cash receipts of \$4,311,597 and general cash receipts of \$17,657,634. Program cash receipts supported 19.47% of the total governmental disbursements.

The primary sources of receipts for governmental activities are derived from property taxes, and unrestricted grants and entitlements. These receipt sources represent 79.43% of total governmental receipts. Real estate property is reappraised every six years.

Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



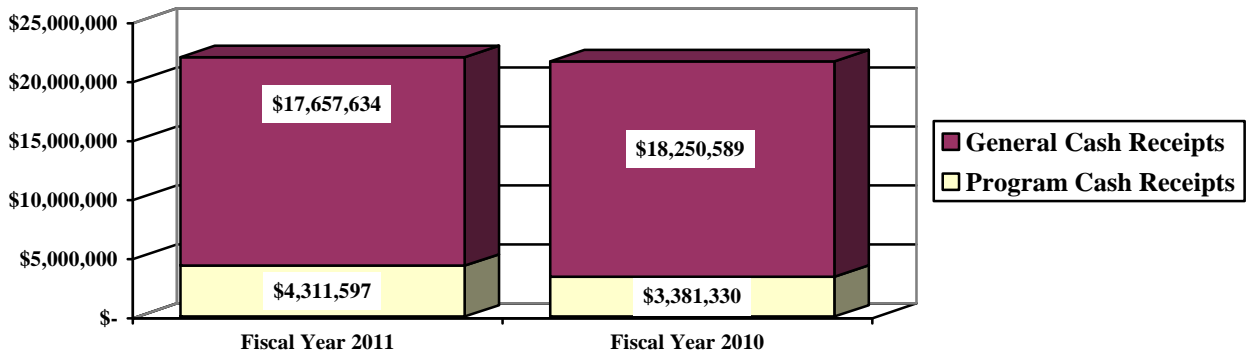
	Governmental Activities			
	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Cash disbursements:				
Current:				
Instruction:				
Regular	\$ 7,732,728	\$ 6,203,005	\$ 7,581,509	\$ 6,336,229
Special	1,691,934	1,141,818	1,908,960	1,451,592
Vocational	253,281	224,550	254,602	254,602
Other	1,302,783	1,289,813	1,336,167	1,189,452
Support services:				
Pupil	610,724	348,663	584,895	375,499
Instructional staff	1,189,822	862,342	1,114,388	907,938
Board of education	17,529	17,529	27,461	27,461
Administration	1,488,438	1,322,459	1,485,580	1,381,675
Fiscal	550,507	550,507	538,997	538,997
Operations and maintenance	1,538,528	1,266,267	1,693,939	1,681,930
Pupil transportation	1,226,039	1,152,645	1,138,656	1,138,656
Central	355,696	295,795	354,963	312,726
Operation of non instruction	944	944	40,082	40,082
Food service operations	837,283	(5,802)	796,112	2,512
Extracurricular	645,741	459,845	611,768	447,398
Facilities acquisition and construction	225,092	225,092	4,733,463	4,733,463
Debt service:				
Principal retirement	1,023,285	1,023,285	879,540	879,540
Interest and fiscal charges	1,456,046	1,456,046	1,463,910	1,463,910
Total	\$22,146,400	\$17,834,803	\$26,544,992	\$23,163,662

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

The dependence upon general cash receipts for governmental activities is apparent; with 80.53% and 87.26% of cash disbursements supported through taxes and other general cash receipts during fiscal years 2011 and 2010, respectively.

Governmental Activities - General and Program Cash Receipts



Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The District's governmental funds are accounted for using the modified cash basis of accounting.

The June 30, 2010 fund cash balances of the general fund and other governmental funds were restated for fund reclassifications required for the implementation of GASB Statement No. 54. The District's governmental funds reported a combined fund cash balance of \$8,037,624, which is \$177,169 below last year's total of \$8,214,793. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2011 and June 30, 2010, for all major and non-major governmental funds.

	Fund Cash Balance June 30, 2011	Restated Fund Cash Balance June 30, 2010	Increase/ (Decrease)
Major funds:			
General	\$4,515,253	\$3,959,607	\$555,646
Bond retirement	874,730	1,030,106	(155,376)
Permanent improvement	1,055,789	1,481,545	(425,756)
Building	1,399,454	1,590,221	(190,767)
Other non-major governmental funds	192,398	153,314	39,084
Total	\$8,037,624	\$8,214,793	(\$177,169)

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

General Fund

The general fund, the District's largest major fund, had cash receipts and other financing sources of \$16,721,441 in fiscal year 2011. The cash disbursements and other financing uses of the general fund, totaled \$16,165,795 in fiscal year 2011. The general fund cash balance increased \$555,646 during fiscal year 2011.

Due to the implementation of GASB Statement No.54, the general fund currently consists of funds that were formerly classified as special revenue funds. Therefore, the cash receipts of the general fund were restated in fiscal year 2010 to include the additional funds. The table that follows assists in illustrating the cash receipts of the general fund during fiscal years 2011 and 2010.

	2011 Amount	Restated 2010 Amount	Percentage Change	
Cash receipts:				
Taxes	\$8,681,606	\$8,791,665	(1.25)	%
Tuition	871,340	857,789	1.58	%
Earnings on investments	5,634	6,489	(13.18)	%
Classroom materials and fees	53,284	53,453	(0.32)	%
Other local revenues	32,775	84,116	(61.04)	%
Intergovernmental - state	6,691,802	6,821,049	(1.89)	%
Total	<u>\$16,336,441</u>	<u>\$16,614,561</u>	(1.67)	%

Although the percentage decreases of the earnings on investments and other local revenues were significant, the actual dollar amount was not significant. All other revenue remained comparable to fiscal year 2010.

Due to the implementation of GASB Statement No.54, the general fund currently consists of funds that were formerly classified as special revenue funds. Therefore, the cash disbursements of the general fund were restated in fiscal year 2010 to include the additional funds. The table that follows assists in illustrating the cash disbursements of the general fund during fiscal years 2011 and 2010.

	2011 Amount	Restated 2010 Amount	Percentage Change	
Cash disbursements:				
Instruction	\$10,009,124	\$10,063,481	(0.54)	%
Support services	5,601,424	5,967,382	(6.13)	%
Operation of non-instruction services	944	35,176	(97.32)	%
Extracurricular	470,945	411,867	14.34	%
Total	<u>\$16,082,437</u>	<u>\$16,477,906</u>	(2.40)	%

Although the percentage decrease of the operation of non-instruction services and the percentage increase of the extracurricular were significant, the actual dollar amounts were not significant. The overall decrease in general fund cash disbursements are indicative of the District attempting to remain fiscally responsible during difficult economic times.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Bond Retirement Fund

The bond retirement fund, a District major fund, had cash receipts of \$2,377,055 in fiscal year 2011. The bond retirement fund had cash disbursements of \$2,532,431 in fiscal year 2011. The bond retirement fund cash balance decreased \$155,376 during fiscal year 2011.

Permanent Improvement Fund

The permanent improvement fund, a District major fund, had cash receipts of \$134,240 in fiscal year 2011. The permanent improvement fund had cash disbursements and other financing uses of \$559,996 in fiscal year 2011. The permanent improvement fund cash balance decreased \$425,756 during fiscal year 2011.

Building Fund

The building fund, a District major fund, had cash receipts of \$1,510 in fiscal year 2011. The building fund had cash disbursements of \$192,277 in fiscal year 2011. The building fund cash balance decreased \$190,767 during fiscal year 2011.

Budgeting Highlights - General Fund

The 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 budgetary basis receipts and other financing sources were \$12,665 above original budget estimates of \$16,350,593. The actual budgetary basis receipts and other financing sources of \$16,360,846 were less than final budget estimates by \$2,412. The final budgetary basis disbursements and other financing uses of \$16,635,892 were \$361,945 below original budget estimates. The actual budgetary basis disbursements and other financing uses of \$16,230,148 were \$405,744 less than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying modified cash basis basic financial statements, but records payments for capital assets as disbursements. The District had facilities acquisition and construction disbursements of \$225,092 during fiscal year 2011.

Debt Administration

The District had the following long-term obligations outstanding at June 30, 2011 and June 30, 2010:

	Governmental Activities 2011	Governmental Activities 2010
2008 Construction and Improvement Bonds	\$ 2,980,000	\$ 3,080,000
2008 Capital Appreciation Bonds	44,999	44,999
2007 Advance Refunding Bonds	15,460,000	16,055,000
2007 Capital Appreciation Bonds	621,887	621,887
2005 Advance Refunding Bonds	6,250,000	6,385,000
2005 Capital Appreciation Bonds	419,990	419,990
1998 Capital Appreciation Bonds	149,613	149,613
1996 Capital Appreciation Bonds	582,052	775,337
Total long-term obligations	<u>\$26,508,541</u>	<u>\$27,531,826</u>

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Current Financial Related Activities

The current financial challenge for school districts is to provide a quality education with very limited or declining revenue. The State of Ohio's educational funding laws, the economy, as well as rising operating costs are the main factors that impact the District's financial stability.

As the preceding information reflects, the District relies heavily upon real estate property taxes and unrestricted State aid. Tax and intergovernmental cash receipts account for approximately 94% of the general fund receipts in fiscal year 2011, with real estate property taxes providing the largest portion. Both receipt sources decreased slightly from fiscal year 2010 and are projected to continue to decrease due to the current economy of Logan County and the State of Ohio.

As stated above, the District receives most of its funding from the property taxes of District residents. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall receipts generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). Over the past several years the District has received support from the residents of the District. The residents renewed an emergency operating levy in 2008, which is the third time the levy has been renewed since 1999. The local residents have taken pride in the District and have supported two bond issues since 1995 to update District facilities in conjunction with the Ohio Schools Facilities Expedited Local Partnership Program. The District now has all facilities on one campus with a new elementary building completed in August of 2009 that houses grades K-4; a middle school building completed in December of 2004 that houses grades 5-8; and an updated (2004) high school building that houses grades 9-12. These new and upgraded facilities have increased community pride while providing the opportunity to enhance the learning environment for the students.

Prior to 2004 the District received tangible personal property tax from local business to help support the District. Since that time the State has enacted the commercial activity tax (CAT) to replace the tangible personal property tax. The commercial activity tax flows through the State to be distributed to schools in hopes that new businesses will locate in the State of Ohio. From fiscal year 2004 to fiscal year 2011, the District has been held harmless for this change in tax collections at the 2004 tax level by receiving money from the State. In fiscal year 2012, it is projected that the hold harmless payment from the State will be reduced and continue to be reduced over the next few years until it is eliminated.

The State of Ohio legislators approved the State's biennial budget to set the unrestricted state aid to school districts as well as other state programs. With the downturn of the economy the State is not able to fund school districts and other programs as it has in the past. In fiscal years 2010 and 2011, the State legislators used funds from the American Recovery and Reinvestment Act in the form of State Fiscal Stabilization Funds to insure that school districts received close to the same amount in State funding as they did in fiscal year 2009. However, in fiscal year 2012 those federal funds are not available, so State funding for the next biennial budget (2012-2013) has been decreased.

Since the District's receipt sources are declining, the Board of Education, administration and staff have worked together to lower personnel costs by reducing staff through attrition and decreasing personnel benefits. These reductions have taken place while the District has been able to move from an academic watch district to an excellent rated school district over the last ten years. This is a testament to the commitment the staff, Board of Education, administration, and community has to the students.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Coleen Repogle, Treasurer, Indian Lake Local School District, 6210 St. Rt. 235 North, Lewistown, OH 43333.

This page intentionally left blank.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2011**

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$8,037,624
Total assets	8,037,624
 Net Cash Assets:	
Restricted for:	
Capital projects	2,457,568
Debt service	874,730
Locally funded programs	78,760
State funded programs	534
Federally funded programs	36,155
Student activities	63,085
Other purposes	11,539
Unrestricted	4,515,253
Total net cash assets	\$8,037,624

See accompanying notes to the basic financial statements.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Cash Assets</u>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants, Contributions and Interest</u>	<u>Total</u>
Governmental Activities:				
Instruction:				
Regular	\$7,732,728	\$924,225	\$605,498	(\$6,203,005)
Special	1,691,934		550,116	(1,141,818)
Vocational	253,281		28,731	(224,550)
Other	1,302,783		12,970	(1,289,813)
Support services:				
Pupil	610,724		262,061	(348,663)
Instructional staff	1,189,822	2,091	325,389	(862,342)
Board of education	17,529			(17,529)
Administration	1,488,438	830	165,149	(1,322,459)
Fiscal	550,507			(550,507)
Operations and maintenance	1,538,528	600	271,661	(1,266,267)
Pupil transportation	1,226,039		73,394	(1,152,645)
Central	355,696		59,901	(295,795)
Operation of non-instructional services	944			(944)
Food service operations	837,283	379,105	463,980	5,802
Extracurricular	645,741	185,896		(459,845)
Facilities acquisition and construction	225,092			(225,092)
Debt service:				
Principal retirement	1,023,285			(1,023,285)
Interest and fiscal charges	1,456,046			(1,456,046)
Total governmental activities	\$22,146,400	\$1,492,747	\$2,818,850	(17,834,803)

General Cash Receipts:

Property and other taxes levied for:

General purposes	8,681,606
Debt service	2,042,763
Grants and entitlements not restricted to specific programs	6,725,258
Investment receipts	8,518
Miscellaneous	199,489
Total general cash receipts	17,657,634
Change in net cash assets	(177,169)
Net Cash Assets - Beginning of Year	8,214,793
Net Cash Assets - End of Year	\$8,037,624

See accompanying notes to the basic financial statements.

INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY

STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Bond Retirement	Permanent Improvement	Building	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in pooled cash and cash equivalents	\$4,515,253	\$874,730	\$1,055,789	\$1,399,454	\$192,398	\$8,037,624
Total assets	<u>4,515,253</u>	<u>874,730</u>	<u>1,055,789</u>	<u>1,399,454</u>	<u>192,398</u>	<u>8,037,624</u>
Fund Cash Balances:						
Restricted:						
Debt service		874,730				874,730
Capital improvements				1,399,454		1,399,454
Food service operations					11,539	11,539
Special education					24,112	24,112
Targeted academic assistance					11,640	11,640
Extracurricular activities					63,085	63,085
Other purposes					79,697	79,697
Committed:						
Capital improvements			1,055,789		2,325	1,058,114
Student and staff support	11,273					11,273
Termination benefits	719,751					719,751
Construction project stipends	67,552					67,552
Other purposes	11,000					11,000
Assigned:						
Student instruction	1,738					1,738
Student and staff support	138,677					138,677
Extracurricular activities	1,000					1,000
School supplies	909					909
Technology use	78					78
Elementary school books	4,568					4,568
Unassigned	3,558,707					3,558,707
Total fund cash balances	<u>\$4,515,253</u>	<u>\$874,730</u>	<u>\$1,055,789</u>	<u>\$1,399,454</u>	<u>\$192,398</u>	<u>\$8,037,624</u>

See accompanying notes to the basic financial statements.

INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	General	Bond Retirement	Permanent Improvement	Building	Other Governmental Funds	Total Governmental Funds
Cash Receipts:						
From local sources:						
Taxes	\$8,681,606	\$2,042,763				\$10,724,369
Tuition	871,340					871,340
Earnings on investments	5,634		\$1,374	\$1,510		8,518
Charges for services					\$377,910	377,910
Extracurricular					185,896	185,896
Classroom materials and fees	53,284					53,284
Rental income	600					600
Contributions and donations	2,295				1,576	3,871
Contract services	2,522				1,195	3,717
Other local revenues	27,358	23,317	132,866		13,653	197,194
Intergovernmental - state	6,691,802	310,975			22,182	7,024,959
Intergovernmental - federal					2,517,573	2,517,573
Total cash receipts	<u>16,336,441</u>	<u>2,377,055</u>	<u>134,240</u>	<u>1,510</u>	<u>3,119,985</u>	<u>21,969,231</u>
Cash Disbursements:						
Current:						
Instruction:						
Regular	7,087,992			12,277	632,459	7,732,728
Special	1,378,718				313,216	1,691,934
Vocational	253,281					253,281
Other	1,289,133				13,650	1,302,783
Support services:						
Pupil	340,341				270,383	610,724
Instructional staff	850,160				339,662	1,189,822
Board of education	17,529					17,529
Administration	1,310,413		5,180		172,845	1,488,438
Fiscal	497,396	53,100		11		550,507
Operations and maintenance	1,230,341		21,619		286,568	1,538,528
Pupil transportation	1,061,968		94,729		69,342	1,226,039
Central	293,276				62,420	355,696
Operation of non-instructional services	944					944
Food service operations					837,283	837,283
Extracurricular	470,945		8,365		166,431	645,741
Facilities acquisition and construction			45,103	179,989		225,092
Debt service:						
Principal retirement		1,023,285				1,023,285
Interest and fiscal charges		1,456,046				1,456,046
Total cash disbursements	<u>16,082,437</u>	<u>2,532,431</u>	<u>174,996</u>	<u>192,277</u>	<u>3,164,259</u>	<u>22,146,400</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	254,004	(155,376)	(40,756)	(190,767)	(44,274)	(177,169)
Other Financing Sources (Uses):						
Transfers in	385,000					385,000
Transfers (out)			(385,000)			(385,000)
Advances in					83,358	83,358
Advances (out)	(83,358)					(83,358)
Total other financing sources (uses)	<u>301,642</u>		<u>(385,000)</u>		<u>83,358</u>	
Net change in fund cash balances	555,646	(155,376)	(425,756)	(190,767)	39,084	(177,169)
Fund Cash Balances - Beginning of Year (Restated)	3,959,607	1,030,106	1,481,545	1,590,221	153,314	8,214,793
Fund Cash Balances - End of Year	<u>\$4,515,253</u>	<u>\$874,730</u>	<u>\$1,055,789</u>	<u>\$1,399,454</u>	<u>\$192,398</u>	<u>\$8,037,624</u>

See accompanying notes to the basic financial statements.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Budgetary Basis Receipts:				
From local sources:				
Taxes	\$8,864,474	\$8,681,532	\$8,681,606	\$74
Tuition	808,196	867,196	871,340	4,144
Earnings on investments	6,000	5,000	4,630	(370)
Classroom materials and fees	11,000	11,000	13,268	2,268
Rental income	1,000	1,000	600	(400)
Contributions and donations	4,000	2,500	2,295	(205)
Contract services	5,000	3,000	2,522	(478)
Other local revenues	5,000	5,000	3,932	(1,068)
Intergovernmental - state	6,601,923	6,683,790	6,683,185	(605)
Total budgetary basis receipts	<u>16,306,593</u>	<u>16,260,018</u>	<u>16,263,378</u>	<u>3,360</u>
Budgetary Basis Disbursements:				
Current:				
Instruction:				
Regular	7,076,854	6,952,917	6,894,420	58,497
Special	1,439,476	1,399,418	1,378,718	20,700
Vocational	255,566	259,307	253,281	6,026
Other	1,229,645	1,419,827	1,414,178	5,649
Support services:				
Pupil	463,918	357,845	340,691	17,154
Instructional staff	878,587	863,591	846,436	17,155
Board of education	22,404	21,100	17,529	3,571
Administration	1,470,979	1,390,868	1,336,600	54,268
Fiscal	588,747	559,325	515,396	43,929
Operations and maintenance	1,654,335	1,373,293	1,278,946	94,347
Pupil transportation	1,077,727	1,107,312	1,065,430	41,882
Central	307,014	311,223	293,276	17,947
Operation of non-instructional services	37,612	22,555	944	21,611
Extracurricular	459,661	474,953	471,945	3,008
Total budgetary basis disbursements	<u>16,962,525</u>	<u>16,513,534</u>	<u>16,107,790</u>	<u>405,744</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements	<u>(655,932)</u>	<u>(253,516)</u>	<u>155,588</u>	<u>409,104</u>
Other Financing Sources (Uses):				
Refund of prior year's expenditures	7,000	66,240	66,378	138
Transfers (out)	(24)	(9,000)	(9,000)	
Advances in	35,000	35,000	30,000	(5,000)
Advances (out)	(35,288)	(113,358)	(113,358)	
Sale of capital assets	2,000	2,000	1,090	(910)
Total other financing sources (uses)	<u>8,688</u>	<u>(19,118)</u>	<u>(24,890)</u>	<u>(5,772)</u>
Net change in fund cash balance	(647,244)	(272,634)	130,698	403,332
Fund Cash Balance - Beginning of Year	3,432,121	3,432,121	3,432,121	
Prior Year Encumbrances Appropriated	67,087	67,087	67,087	
Fund Cash Balance - End of Year	<u>\$2,851,964</u>	<u>\$3,226,574</u>	<u>\$3,629,906</u>	<u>\$403,332</u>

See accompanying notes to the basic financial statements.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2011**

	Private Purpose Trust	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$20,262	\$124,773
Investments	100,000	
Total assets	120,262	124,773
Liabilities:		
Held for student activities		\$124,773
Net Cash Assets:		
Held in trust for scholarships	120,262	
Total net cash assets	\$120,262	

See accompanying notes to the basic financial statements.

INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Private Purpose Trust</u>
Additions:	
Interest	\$1,687
Gifts and contributions	6,601
Total additions	<u>8,288</u>
Deductions:	
Scholarships awarded	<u>1,695</u>
Change in net cash assets	6,593
Net Cash Assets - Beginning of Year	<u>113,669</u>
Net Cash Assets - End of Year	<u><u>\$120,262</u></u>

See accompanying notes to the basic financial statements.

This page intentionally left blank.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1962 through the consolidation of existing land areas and school districts. The District serves an area of approximately 110 square miles. It is located in Logan County, and includes all of the Village of Russells Point, Village of Lakeview, and Village of Huntsville. The District is staffed by 84 non-certificated employees, 122 certificated full-time teaching personnel, and 10 administrative employees. The District currently operates two elementary school buildings, one middle school building, and one comprehensive high school building, which includes the administrative offices, and one bus garage.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.B., these financial statements are presented on the modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these modified cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following organizations are described due to their relationship to the District:

1. Jointly Governed Organizations

Western Ohio Computer Organization (WOCO)

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

Ohio Hi-Point Joint Vocational School

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

Metropolitan Educational Council

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Educational Regional Service System Region 6

The District participates in the Educational Regional Service System (ERSS) Region 6, a jointly governed organization consisting of educational entities within Allen, Auglaize, Champaign, Hardin, Logan, Mercer, and Shelby counties. The purpose of the ERSS is to provide support services to school districts, community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is the policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts.

The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of each region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative. The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council. Financial information can be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Ave., Suite 2, Wapakoneta, Ohio 45895.

Logan County Education Foundation

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

2. Insurance Purchasing Pools

Workers' Compensation Group Rating Program

The District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP). The GRP is sponsored by OASBO and administered by CompManagement, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The District pays a fee to the GRP to cover the costs of administering the program.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Logan County School Benefit Plan Association

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

3. Related Organization

Logan County District Library

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

B. Basis of Accounting

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the modified cash basis of accounting. The modified cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

C. Fund Accounting

The 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. The District has no proprietary funds.

1. Governmental Funds

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following are the District's major governmental funds:

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is disbursed or transferred according to the general laws of Ohio.

Bond retirement fund - The bond retirement fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

Permanent improvement fund - The permanent improvement fund is used to account for financial resources to be used for the construction and improvement of school facilities as are authorized by Chapter 5705, Revised Code.

Building fund - The building fund is used to account for the receipts and disbursements related to all special bond funds in the District.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to disbursements for capital outlays including the acquisition of construction of capital facilities and other capital assets and (b) specific cash receipt sources that are restricted or committed to disbursements for specified purposes other than debt service or capital projects.

2. Fiduciary Funds

Fiduciary fund reporting focuses on net cash assets and changes in net cash 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 cash assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's private purpose trust fund accounts for programs that provide college scholarships for students after graduation. Agency funds are custodial in nature and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

D. Basis of Presentation

1. Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the modified cash basis or draws from the general receipts of the District.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund.

E. Budgets

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

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

1. Tax Budget

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

2. Estimated Resources

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

Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the original and final amended certificate issued during fiscal year 2011.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Appropriations

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

The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation total of any level of control. Any revisions that alter the total object appropriations within a fund (for general fund), or the total of any fund appropriation (for all other funds) must be approved by the Board of Education.

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

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

4. Encumbrances

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

5. Lapsing of Appropriations

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

F. Cash and Investments

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

During fiscal year 2011, investments were limited to the State Treasury Asset Reserve (STAR Ohio) and federal agency securities. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rue 2a7 of the Investment Company act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2011.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest receipts credited to the general fund during fiscal year 2011 amounted to \$5,634, which includes \$1,235 assigned from other funds.

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

An analysis of the District's investment account at year end is provided in Note 4.

G. Capital Assets

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the modified cash basis of accounting. Depreciation has not been reported for any capital assets.

H. Unpaid Vacation and Sick Leave

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

I. Long-Term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the modified cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

J. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursements for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement healthcare.

K. Fund Cash Balance

The District reports classifications of fund balance based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The following categories are used:

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-spendable - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally required to be maintained intact.

Restricted - amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, the Board of Education.

Assigned - amounts that are constrained by the District's intent to be used for specific purpose, but are neither restricted nor committed. Assigned amounts include those approved through the District's formal purchasing procedure by the Treasurer. Through the District's purchasing policy, the Board of Education has given the Treasurer the authority to constrain monies for intended purposes.

Unassigned - residual fund balance within the general fund that is in spendable form that is not restricted, committed, or assigned.

The District applies restricted resources first when an expense is incurred for purposes for which restricted and unrestricted fund balance is available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

L. Net Cash Assets

Net cash assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net cash assets are available. The District did not have any assets restricted by enabling legislation at June 30, 2011.

M. Restricted Assets

Assets are reported as restricted assets 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. The District did not have any restricted assets at June 30, 2011.

N. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements. Intrafund advances and transfers are eliminated in the statement of activities - modified cash basis.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. 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 2011.

3. ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund cash balances as previously reported:

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Building</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Fund cash balance as previously reported	\$3,499,208	\$1,030,106	\$1,481,545	\$1,590,221	\$613,713	\$8,214,793
Fund reclassifications:						
Uniform school supplies fund	932				(932)	
Public school fund	24,070				(24,070)	
State/political subdivision fund	11,000				(11,000)	
Termination benefits fund	424,397				(424,397)	
Total fund reclassifications	<u>460,399</u>				<u>(460,399)</u>	
Restated fund cash balance at July 1, 2010	<u>\$3,959,607</u>	<u>\$1,030,106</u>	<u>\$1,481,545</u>	<u>\$1,590,221</u>	<u>\$153,314</u>	<u>\$8,214,793</u>

The fund reclassifications did not have an effect on net cash assets as previously reported.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE (Continued)

C. Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

4. DEPOSITS AND INVESTMENTS

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

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

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

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

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

Interim monies may 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, or legal governments;

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);
8. 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,
9. 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 District, and must be purchased with the expectation that it will be held to maturity.

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

A. Cash on Hand

At year end, the District had \$225 in un-deposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all District deposits was \$7,102,558. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$6,451,506 of the District's bank balance of \$7,451,506 was exposed to custodial risk as discussed below, while \$1,000,000 was covered by the Federal Deposit Insurance Corporation.

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

C. Investments

As of June 30, 2011, the District had the following investments and maturities:

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

<u>Investment type</u>	<u>Balance at Carrying Value</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities</u>				
			<u>6 months Or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
STAR Ohio	\$1,079,876	\$1,079,876	\$1,079,876				
FNMA	100,000	99,364					\$100,000
	<u>\$1,179,876</u>	<u>\$1,179,240</u>	<u>\$1,079,876</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$100,000</u>

The weighted average maturity of investments is 0.37 years.

Interest Rate Risk: Interest rate risk arises potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The District's investments in federal agency securities were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2011:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>%to Total</u>
STAR Ohio	\$1,079,876	91.52
FNMA	100,000	8.48
	<u>\$1,179,876</u>	<u>100.00</u>

D. Reconciliation of Cash to the Statement of Net Assets

The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net assets as of June 30, 2011:

<u>Cash per footnote:</u>	
Carrying amount of deposits	\$7,102,558
Investments	1,179,876
Cash on hand	225
Total	<u>\$8,282,659</u>

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

<u>Cash per statement of net assets:</u>	
Governmental activities	\$8,037,624
Private purpose trust funds	120,262
Agency fund	124,773
Total	<u>\$8,282,659</u>

5. INTERFUND TRANSACTIONS

- A.** Interfund transfers for the year ended June 30, 2011, consisted of \$385,000 from the permanent improvement fund to the general fund. This was an allowable transfer because the general fund was the fund that initially funded the permanent improvement fund.

Transfers are used to move cash receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to disburse them and to use unrestricted cash receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported in the statement of activities.

- B.** During fiscal year 2011, advances consisted of \$113,358 from the general fund to non-major governmental funds.

Interfund advances between governmental funds are eliminated on the government-wide financial statements; therefore no advances are reported in the statement of activities.

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 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 alternate payment dates to be established. Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

6. PROPERTY TAXES (Continued)

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

The District receives property taxes from Logan and Auglaize Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$350,035,330	97.06	\$362,106,780	96.96
Public utility personal	10,100,420	2.80	11,086,260	2.97
Tangible personal property	497,970	0.14	261,940	0.07
Total	\$360,633,720	100.00	\$373,454,980	100.00
Tax rate per \$1,000 of assessed valuation	\$50.85		\$50.85	

7. LONG-TERM OBLIGATIONS

During fiscal year 2011, the following changes occurred in the District's long-term obligations:

	Balance Outstanding June 30, 2010	Additions	Reductions	Balance Outstanding June 30, 2011	Amounts Due in One Year
Governmental activities:					
2008 Construction and Improvement	\$ 3,080,000		(\$ 100,000)	\$ 2,980,000	\$100,000
2008 Capital Appreciation Bonds	44,999			44,999	
2007 Advance Refunding Bonds	16,055,000		(595,000)	15,460,000	385,000
2007 Capital Appreciation Bonds	621,887			621,887	
2005 Advance Refunding Bonds	6,385,000		(135,000)	6,250,000	140,000
2005 Capital Appreciation Bonds	419,990			419,990	
1998 Capital Appreciation Bonds	149,613			149,613	34,695
1996 Capital Appreciation Bonds	775,337		(193,285)	582,052	197,297
Total governmental activities	\$27,531,826	\$0	(\$1,023,285)	\$26,508,541	\$856,992

2008 School Facilities Construction and Improvement General Obligation Bonds - On December 10, 2008, the District issued \$3,124,999 in voted general obligation bonds for construction and improvements to the school buildings, with an interest rate ranging from 3.00% - 5.25%. The bond issue included current interest serial bonds and capital appreciation serial bonds in the amount of \$3,080,000 and \$44,999, respectively. The bonds were issued for a twenty-six year period with a final maturity at December 1, 2034. The bonds will be retired with a voted property tax levy from the bond retirement fund.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

7. LONG-TERM OBLIGATIONS (Continued)

The capital appreciation serial bonds will mature in fiscal years 2017 through 2019. The maturity amounts of the bonds are \$110,000, \$110,000, and \$110,000, respectively, for a total maturity of \$330,000.

2007 School Facilities Construction Improvement and Refunding General Obligation Bonds - On March 14, 2007, the District issued \$18,001,887 in general obligation School Facilities Construction Improvement and refunding bonds with an average interest rate of 4.00 percent for the purpose of advance refunding \$3,335,000 of the 1998 Construction and Improvement Bonds and issuing new bonds of \$14,666,887. The bonds were issued for a 27 year period with a final maturity at December 1, 2034. Proceeds of \$3,482,286 were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1988 series bonds. As a result, the 1998 series bonds are considered to be defeased.

The current interest term bonds maturing December 1, 2034, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2026	\$615,000
2027	650,000
2028	680,000
2029	715,000
2030	750,000
2031	785,000
2032	825,000
2033	870,000

The remaining principal amount of such current interest bonds, \$720,000, will mature at state maturity on December 1, 2034.

The current interest bonds maturing after December 1, 2017 are subject to redemption at the option of the District, either in whole or in part, in such order as the District shall determine, on any interest payment date on or after June 1, 2017, at redemption prices equal to the date fixed for redemption.

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

If optional redemption of current interest bonds at a redemption exceeding 100 percent is to take place on any date on which a mandatory redemption of such bonds of the same maturity will take place, such bonds to be redeemed by optional redemption are to be selected by the Bond Registrar prior to the selection of such bonds to be redeemed at par on the same date.

The capital appreciation serial bonds will mature in fiscal years 2017 through 2018. The maturity amounts of the bonds are \$470,000 and \$745,000, respectively, for a total maturity of \$1,215,000.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

7. LONG-TERM OBLIGATIONS (Continued)

2005 Advance Refunding General Obligation Bonds - On April 21, 2005, the District issued \$8,419,990 in general obligation advance refunding bonds with an approximate average interest rate of 3.65 percent for the purpose of advance refunding \$8,420,000 of the 1996 Construction and Improvement Bonds. The bond issue included \$8,000,000 of current issue serial bonds and \$420,000 of capital appreciation bonds. The bonds were issued for an eighteen-year period with a final maturity at December 1, 2022. The net proceeds of \$8,898,708 (after payment of \$128,083 issuance costs) were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1986 series bonds. As a result, the 1986 series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets.

Current interest bonds maturing after December 1, 2015, are subject to redemption at the option of the District, either in whole or in part, in such order as the District shall determine, on any payment date on or after June 1, 2015, at the redemption price equal to 100 percent of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

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

If optional redemption of current interest bonds at a redemption exceeding 100 percent is to take place on any date on which a mandatory redemption of such bonds of the same maturity will take place, such bonds to be redeemed by optional redemption are to be selected by the Bond Registrar prior to the selection of such bonds to be redeemed at par on the same date.

The capital appreciation serial bonds will mature in fiscal years 2014 through 2015. The maturity amounts of the bonds are \$770,000 and \$775,000 respectively, for a total maturity of \$1,545,000.

1998 General Obligation Bonds - On March 1, 1998, the District issued \$4,999,613 in voted general obligation bonds for construction and improvements to the school buildings. The bond issue included current interest serial, current interest term, and capital appreciation serial bonds in the amount of \$1,940,000, \$2,910,000 and \$149,613, respectively. On March 14, 2007 a portion of the current interest bonds were refunded leaving an outstanding balance of \$420,000. These bonds matured December 1, 2010. The bonds were retired with a voted property tax levy from the bond retirement fund.

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

The current interest serial bonds and all but \$660,000 of the current interest term bonds were paid with the 2005 advance refunding bonds. The remaining principal of the current interest term bonds will mature at the stated maturity on December 1, 2022.

The remaining capital appreciation serial bonds will mature in years 2012 through 2014. The maturity amounts of the bonds are \$585,000, \$640,000, and \$640,000, respectively.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

7. LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire general obligation debt at June 30, 2011, are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 856,992	\$ 1,689,583	\$ 2,546,575
2013	874,904	1,722,411	2,597,315
2014	875,894	1,715,937	2,591,831
2015	780,358	1,787,849	2,568,207
2016	771,634	1,800,028	2,571,662
2017 - 2021	7,433,759	5,434,566	12,868,325
2022 - 2026	6,705,000	2,667,668	9,372,668
2027 - 2031	4,220,000	1,557,272	5,777,272
2032 - 2035	3,990,000	399,988	4,389,988
Total	<u>\$26,508,541</u>	<u>\$18,775,302</u>	<u>\$45,283,843</u>

8. RISK MANAGEMENT

A. Property and Liability

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

The District's comprehensive commercial insurance coverage for real property and building contents has a liability limit of \$77,970,611, a \$2,500 deductible and a 100 percent coinsurance.

The District's fleet insurance has a liability limit of \$2,000,000, \$5,000 for medical payments. The policy includes a \$500 deductible for comprehensive and collision coverage with all buses covered for cash value.

B. Workers' Compensation

For fiscal year 2011, the District participated in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. 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 their tiered group. 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.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

8. RISK MANAGEMENT (Continued)

C. Health Insurance

The District participates in the Logan County Schools Benefit Plan Association (the "Plan") as described in Note 2.A.

9. PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$276,522, \$293,625 and \$206,387, respectively; 56.10 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

9. PENSION PLANS (Continued)

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$1,036,299, \$1,056,799 and \$1,059,302, respectively; 82.18 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

10. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. 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 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were \$33,482, \$10,569 and \$94,452, respectively; 56.10 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$17,795, \$17,461 and \$17,029, respectively; 56.10 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

10. POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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.

Funding Policy - Ohio law authorizes 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 monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$79,715, \$81,292 and \$81,485, respectively; 82.18 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

11. CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

12. STATUTORY RESERVES

The District is required by State law to set-aside certain general fund cash receipt amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2011, the reserve activity was as follows:

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

12. STATUTORY RESERVES (Continued)

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside reserve balance June 30, 2010	\$ 0	\$ 0
Current year set-aside requirement	272,268	272,268
Current year qualifying disbursements	(216,316)	(493,792)
Excess qualified disbursements from prior years	(232,136)	
Total	(\$176,184)	(\$221,524)
Balance carried forward to fiscal year 2012	(\$176,184)	\$ 0
Set-aside reserve balance June 30, 2011	\$ 0	\$ 0

For the textbooks reserve, qualifying disbursements exceeding the set-aside requirement may be carried forward to the next fiscal year. For the capital improvements reserve, qualifying disbursements exceeding the set-aside requirement may not be carried forward to the next fiscal year.

13. BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, 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 receipts, disbursements and changes in fund balance - budget and actual (budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than a reservation of fund balance (cash).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement:

Net Change in Fund Balance	
	General fund
Cash basis	\$555,646
Funds budgeted elsewhere **	(290,348)
Adjustment for encumbrances	(134,600)
Budget basis	\$130,698

** As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, public school fund, State/political subdivision fund and termination benefits fund.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

14. CONTRACTUAL COMMITMENTS

The District is currently involved in construction projects which resulted in contractual commitments remaining at fiscal year end. The District had the following contractual commitments outstanding as of June 30, 2011:

<u>Contractor</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Expended</u>	<u>Balance 6/30/11</u>
Fanning & Howey Assoc.	Architect Services	\$ 72,485	(\$65,923)	\$ 6,562
CTL Engineering, Inc.	Geotechnical Consulting	8,000		8,000
M & K Engineering Co.	Land/Site Engineering	14,600	(9,600)	5,000
Maier Concrete Construction, LLC	Parking Lot/Driveway Resurfacing	404,855		404,855
Total		<u>\$499,940</u>	<u>(\$75,523)</u>	<u>\$424,417</u>

15. OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year disbursements and may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General	\$134,602
Special revenue	197,169
Capital projects	509,352
Total	<u>\$841,123</u>

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR Pass Through Grantor Program Title	Grant Year	Catalog of Federal Domestic Assistance Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
School Breakfast Program	2010	10.553	\$117,920		\$117,920	
Non-Cash Assistance (Food Distribution) School Breakfast Program		10.553		\$1,200		\$1,200
Total School Breakfast Program			<u>117,920</u>	<u>1,200</u>	<u>117,920</u>	<u>1,200</u>
Child Nutrition Cluster:						
National School Lunch Program	2010	10.555	335,703		335,703	
Non-Cash Assistance (Food Distribution) National School Lunch Program		10.555		38,795		38,795
Total National School Lunch Program			<u>335,703</u>	<u>38,795</u>	<u>335,703</u>	<u>38,795</u>
Total Child Nutrition Cluster - United States Department of Agriculture			<u>453,623</u>	<u>39,995</u>	<u>453,623</u>	<u>39,995</u>
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title 1 Grants to Local Educational Agencies	2010	84.010	72,963		84,824	
	2011		374,540		374,348	
ARRA Title 1 Grants to Local Educational Agencies, Recovery Act	2010	84.389	1,593		1,793	
	2011		118,624		123,227	
Total Title 1 Grants to Local Educational Agencies			<u>567,720</u>		<u>584,192</u>	
Special Education Grants to States	2010	84.027	32,961		35,935	
	2011		305,699		314,444	
ARRA Special Education Grants to States, Recovery Act	2010	84.391	68,574		68,574	
	2011		149,679		148,822	
Total Special Education Grants to States			<u>556,913</u>		<u>567,775</u>	
Safe and Drug Free Schools and Communities State Grants	2010	84.186			15	
	2011		4,107		4,107	
Total Safe and Drug Free Schools and Communities State Grants			<u>4,107</u>		<u>4,122</u>	
Education Technology State Grants	2011	84.318	6,557		6,557	
Rural Education Grant	2010	84.358	90			
	2011		21,789		21,789	
Total Rural Education Grant			<u>21,879</u>		<u>21,789</u>	
Improving Teacher Quality State Grants	2010	84.367	19,100		19,258	
	2011		107,414		107,522	
Total Improving Teacher Quality State Grants			<u>126,514</u>		<u>126,780</u>	
ARRA Vocational Rehabilitation Grants to States, Recovery Act		84.386	208,146		225,504	
ARRA State Fiscal Stabilization Fund, Education Fund Recovery Act	2010	84.394			20,075	
	2011		383,072		383,072	
Total ARRA State Fiscal Stabilization Fund, Education Fund Recovery Act			<u>383,072</u>		<u>403,147</u>	
Race to the Top Grant	2011	84.395	15,826		16,020	
Education Jobs Grant	2011	84.410	173,215		190,181	
Total Department of Education			<u>2,063,949</u>		<u>2,146,067</u>	
Total Federal Financial Assistance			<u>\$2,517,572</u>	<u>\$39,995</u>	<u>\$2,599,690</u>	<u>\$39,995</u>

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – NUTRITION CLUSTER

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.

NOTE D – MATCHING REQUIREMENTS

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

NOTE E – TRANSFER OF FUNDS BETWEEN COST CENTERS

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

Grant and CFDA # / Fund, Cost Center	Transfer Out	Transfer In
Improving Teacher Quality Grants #84.367		
590-9010	(\$158)	
590-9011		\$158



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Indian Lake Local School District, Logan County (the District), as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 6, 2011, wherein, we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. 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 controls over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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 instances of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2011-001 and 2011-002.

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

We also noted a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated October 6, 2011.

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



Dave Yost
Auditor of State

October 6, 2011



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Indian Lake Local School District, Logan County (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of its major federal programs for the year ended June 30, 2011. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 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 Indian Lake Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

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, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB A-133, but not for the purpose of opining 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.

**Internal Control Over Compliance
(Continued)**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, 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 the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

October 6, 2011

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

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 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)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any 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):	Nutrition Cluster – CFDA's 10.553 and 10.555 Title 1 Grants to Local Educational Agencies – CFDA's 84.010 and 84.389 Special Education – Grants to States - CFDA #84.027 and 84.391 State Fiscal Stabilization Fund 84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2011-001

Noncompliance Citation

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

Ohio Adm. Code Section 117-2-03(B) requires the District to file annual financial reports which are prepared using generally accepted accounting principles. For fiscal year 2011, the District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

OFFICIALS' RESPONSE:

In response to Finding Number 2011-001 Noncompliance Citation O.R.C. 117.38; the Indian Lake Board of Education understands that the Ohio Revised Code requires the District's financial statements to be prepared in accordance with GAAP; however, an exception has been implemented by the State Auditor for issuance of an unqualified opinion if GAAP look-alike financial statements have been prepared by the District. Due to cost of the conversion, increased audit cost, and cost of employee resources, the Board feels money that would otherwise be spent on conversion to GAAP is better used to educate the students of Indian Lake Local Schools. In addition, federal security laws do not require GAAP financial statements, and specifically, SEC Rule 15c2-12 relating to continuing disclosure on outstanding debt (which applies to the District) does not require GAAP financial statements.

FINDING NUMBER 2011-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits expenditures unless the funds have been properly appropriated. This section of code prohibits expenditures plus encumbrances from exceeding current year appropriations plus prior year carryover appropriations. Contrary to this requirement expenditures and encumbrances exceeded appropriations at the fund level which is the legal level of control for the following funds:

Fund	Appropriations and Prior Year Carryover	Encumbrances and Expenditures	Unfavorable Variance
Permanent Improvement Building	\$1,201,046 275,160	\$1,252,786 553,840	(\$51,740) (278,680)

**FINDING NUMBER 2011-002
(Continued)**

The Treasurer and Board should monitor the budgetary financial reports throughout the year to prevent budgetary expenditures and encumbrances from exceeding appropriations at the legal level of control. In instances where it appears appropriations are insufficient to meet projected needs, the Board should pass a resolution to amend appropriations in conjunction with a review of actual available resources. This will decrease the possibility of spending in excess of resources creating deficit balances.

OFFICIALS' RESPONSE:

In response to Finding Number 2011-002 Noncompliance Citation O.R.C. 5705.41 (B), restriction upon appropriation and expenditure of money; the fiscal officer of the Indian Lake Board of Education understands that the expenditure of money is not allowed unless it has been appropriated; however due to timing of the Parking Lot Resurfacing Bid approved at the June 28, 2011 Board Meeting and the approval of final appropriations for fiscal year 2011, the encumbrance for that bid caused the appropriation for the permanent improvement fund and building fund to be lower than the total budgetary expense. The permanent improvement and building fund balances at the time of the Parking Lot Resurfacing Bid approval was significant enough to cover the bid and all current encumbrances. To certify this fact, the Board President, Treasurer and Superintendent signed a Certificate of Available Resources for the resurfacing project. All other funds were in compliance with this code section.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

None

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Ohio Rev. Code Section 117.38 & Ohio Admin. Code Section 117-2-03(B) – Failed to prepare financial statements in accordance with GAAP	No	Repeated as Finding Number 2011-001



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on March 15, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 6, 2011

This page intentionally left blank.



Dave Yost • Auditor of State

INDIAN LAKE LOCAL SCHOOL DISTRICT

LOGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 13, 2011