



Dave Yost • Auditor of State

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Local School District, Wood County, Ohio (the District), as of and for the year ended June 30, 2010, 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.

As discussed in Note 3 to the basic financial statements the District changed its method of accounting from accounting principles generally accepted in the United States of America to the modified cash basis.

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 Lake Local School District, Wood County, Ohio, as of June 30,

2010, and the respective changes in modified cash financial position, thereof and the budgetary comparison for the General fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 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.

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 federal awards receipts and expenditures schedule 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 also not a required part of the basic financial statements. The federal awards receipts and expenditures schedule 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

March 7, 2011

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED**

The discussion and analysis of the financial performance of Lake Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2010 are as follows:

Net assets of governmental activities increased by \$1,060,518 which represents a 23.1 % increase from fiscal year 2009. The District received \$2,500,000 in insurance recoveries. Without this, net assets would have decreased by \$1,439,482.

General revenues accounted for \$16,090,975 in revenue or 84.2% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$3,030,183 or 15.8% of total revenues of \$19,121,158.

The District had \$18,060,640 in expenses related to governmental activities; only \$3,030,183 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$16,090,975 were also used to provide for these programs.

Using the Basic Financial Statements

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

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR JUNE ENDED 30, 2010
UNAUDITED
(Continued)**

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during 2010, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's cash position and changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, these increases or decreases in the District's cash position is one indicator of whether the District's financial position is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors such as the District's property tax base, the condition of the District's capital assets and infrastructure, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and statement of activities, all of the District activities are presented as governmental activities. All of the District's programs and services are reported here including instruction, support services, non-instructional services, food services, and extracurricular activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the District are split into two categories: governmental and fiduciary.

Governmental Funds - Most of the District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to the District's programs.

The District's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The District's major governmental funds are the General, Building and Bond Retirement Funds.

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR JUNE ENDED 30, 2010
UNAUDITED
(Continued)**

Table 1 provides a summary of the District's net assets for fiscal year 2010 compared to fiscal year 2009.

Table 1		
Net Assets		
Governmental Activities		
	2010	2009
<u>Assets:</u>		
Cash and cash equivalents	\$5,448,648	\$3,979,924
Investments	200,620	608,826
Total Assets	5,649,268	4,588,750
<u>Net Assets:</u>		
Restricted	3,036,389	1,291,693
Unrestricted	2,612,879	3,297,057
Total	\$5,649,268	\$4,588,750

As mentioned previously, total net assets increased \$1,060,518. The primary reason for this is that the District received \$2,500,000 in insurance recoveries.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR JUNE ENDED 30, 2010
UNAUDITED
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2010 compared to fiscal year 2009.

**Table 2
Change in Net Assets
Governmental Activities**

	2010	2009
<u>Revenues:</u>		
Program Revenues:		
Charges for Services and Sales	\$1,257,288	\$1,172,890
Operating Grants, Contributions and Interest	1,772,895	1,533,244
Capital Grants, Contributions and Interest		13,518
Total Program Revenues	3,030,183	2,719,652
General Revenues:		
Property Taxes	7,345,227	7,887,428
Payment in Lieu of Taxes	46,000	53,306
Grants and Entitlements	6,170,132	6,201,436
Interest	23,345	126,699
Gifts and Donations	4,079	
Proceeds from Sale Capital Assets	25	1,350
Refund of Prior Year Disbursements	2,167	2,697
Insurance Recoveries	2,500,000	
Total General Revenues	16,090,975	14,272,916
Total Revenues	19,121,158	16,992,568
<u>Expenses:</u>		
Instruction	9,277,814	8,738,876
Support Services:		
Pupils	568,127	621,613
Instructional Staff	689,342	652,119
Board of Education	75,510	93,803
Administration	1,109,749	1,051,983
Fiscal	474,369	467,906
Operation and Maintenance of Plant	1,619,335	1,546,992
Pupil Transportation	902,029	780,792
Central	160,911	125,857
Non-Instructional	592,996	586,640
Extracurricular Activities	818,992	658,432
Capital Outlay	384,063	627,406
Debt Service - Principal	763,187	930,000
Interest and Fiscal Charges	624,216	440,255
Total Expenses	18,060,640	17,322,674
Increase (Decrease) Net Assets	\$1,060,518	(\$330,106)

Program receipts account for 15.8 percent of total receipts and are represented by restricted intergovernmental receipts, extracurricular activities, and food service sales.

The major program disbursements for governmental activities are for instruction, which accounts for 51.4 percent of all governmental disbursements. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for 12 percent of governmental disbursements. Maintenance of the District's facilities also represents a significant disbursement of 9 percent. The remaining 27.6 percent of the District's

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR JUNE ENDED 30, 2010
UNAUDITED
(Continued)**

disbursements are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes and grants and entitlements.

Governmental Activities

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

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2010</u>	<u>2010</u>	<u>2009</u>	<u>2009</u>
Instruction	\$9,277,814	\$7,426,923	8,738,876	\$7,215,403
Support Services:				
Pupils	568,127	563,776	621,613	614,730
Instructional Staff	689,342	610,090	652,119	540,091
Board of Education	75,510	75,510	93,803	93,803
Administration	1,109,749	1,049,910	1,051,983	1,048,141
Fiscal	474,369	474,369	467,906	467,906
Operation and Maintenance of Plant	1,619,335	1,610,190	1,546,992	1,534,992
Pupil Transportation	902,029	774,521	780,792	711,099
Central	160,911	155,911	125,857	120,857
Non-Instructional	592,996	61,324	586,640	(55,559)
Extracurricular Activities	818,992	456,467	658,432	314,258
Capital Outlay	384,063	384,063	627,406	627,406
Debt Service	763,187	763,187	930,000	930,000
Interest and Fiscal Charges	624,216	624,216	440,255	440,255
Total Expenses	<u>\$18,060,640</u>	<u>\$15,030,457</u>	<u>\$17,322,674</u>	<u>\$14,603,022</u>

The School District is dependent upon tax revenues for governmental activities. Over 80% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 83.2%. The community, as a whole, is the primary support for Lake Local School District students.

The District's Funds

The School District's governmental funds are accounted for using the modified cash basis of accounting. Total governmental funds (excluding transfers) had receipts and other financing sources of \$19,121,158 and disbursements of \$18,060,640. The greatest change within governmental funds occurred within the Building Fund as the result of receiving \$2,500,000 in insurance recoveries.

General Fund Budgeting Highlights

The School District prepares an annual budget of revenues and expenditures for all funds of the School District for use by School District officials and department heads and prepares such other budgetary documents as are required by State statute, including the annual appropriations ordinance which is effective the first day of July. The School District's most significant budgeted fund is the General Fund. During the course of fiscal year 2010, the School District amended its General Fund budget as needed.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR JUNE ENDED 30, 2010
UNAUDITED
(Continued)**

For the General Fund, final budgeted receipts and disbursements did not change significantly from the School District's original estimates. Actual disbursements were not significantly different from the final budget amounts. Actual receipts were significantly less for property taxes and intergovernmental receipts. This was due to a decrease in 2010 property tax and the carryover of ARRA monies.

Debt

The School District completed payments for a bond issue for the purpose of High School renovations, originally issued in 1989 and refinanced in 2003.

At June 30, 2010, the District had \$12,212,317 due from school improvement general obligation and energy conservation bonds.

At June 30, 2010, the District's overall legal debt margin was \$10,866,012, with an un-voted debt margin of \$238,344.

For further information regarding the District's debt, see the notes to the basic financial statements.

Current Issues

On June 5, 2010 the Lake Schools campus was directly hit by an F4 tornado completely destroying the High School and damaging the adjacent Middle School and Elementary School as well as most of the outdoor athletic facilities. By June 30, 2010 the District received \$2,500,000 in advance of repairing school facilities. After June 30, 2010 repairs were completed to the two primary buildings and athletic facilities, and arrangements were made to house the High School at a nearby community college facility.

The planning process to rebuild the High School is underway and we expect to break ground in February/March of 2011 with a goal to have the students in the new building by the start of the 2012 school year.

We don't expect this to have a material financial impact on general fund or normal school funding operations. Our insurance coverage is comprehensive and we recently achieved a full policy limit coverage for the high school building, and, combined with a substantial grant from the Ohio School Facilities Commission, should be sufficient to cover the cost of a new High School building. Additionally, the Ohio Department of Education has committed, if needed, monies from their catastrophic aid fund to cover the costs of extra expenses associated with educating high school students at a temporary facility.

Contacting the District's Financial Management

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY
Statement of Net Assets - Modified Cash Basis
June 30, 2010**

	Governmental Activities
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ 5,448,648
Investments	200,620
<i>Total Assets</i>	\$ 5,649,268
 NET ASSETS:	
Restricted for Debt Service	585,367
Restricted for Capital Outlay	2,203,969
Restricted for Other Purposes	166,997
Restricted for Set Asides	22,919
Restricted for Bus Purchases	56,337
Restricted - Other	800
Unrestricted	2,612,879
<i>Total Net Assets</i>	\$ 5,649,268

See Accompanying Notes to the Basic Financial Statements

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2010**

	Program Revenues			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 7,288,431	\$ 642,166	\$ 364,563	\$ (6,281,702)
Special	1,816,607		825,081	(991,526)
Vocational	168,077		19,081	(148,996)
Student Intervention Services	4,699			(4,699)
Support Services:				
Pupils	568,127		4,351	(563,776)
Instructional Staff	689,342		79,252	(610,090)
Board of Education	75,510			(75,510)
Administration	1,109,749		59,839	(1,049,910)
Fiscal	474,369			(474,369)
Operation and Maintenance of Plant	1,619,335		9,145	(1,610,190)
Pupil Transportation	902,029		127,508	(774,521)
Central	160,911		5,000	(155,911)
Operation of Non-Instructional Services	27,825		44,812	16,987
Food Service Operations	565,171	252,597	234,263	(78,311)
Extracurricular Activities	818,992	362,525		(456,467)
Capital Outlay	384,063			(384,063)
Debt Service:				
Principal	763,187			(763,187)
Interest and Fiscal Charges	624,216			(624,216)
Total Governmental Activities	18,060,640	1,257,288	1,772,895	(15,030,457)
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				6,149,844
Property Taxes, Levied for Capital Outlay				253,410
Property Taxes, Levied for Debt Service				941,973
Payments in Lieu of Taxes				46,000
Grants and Entitlements not Restricted to Specific Program				6,170,132
Gifts and Donations not Restricted to Specific Programs				4,079
Investment Earnings				23,345
Proceeds from Sale of Capital Assets				25
Insurance Recoveries				2,500,000
Refund of Prior Year Expenditures				2,167
Total General Receipts				16,090,975
<i>Change in Net Assets</i>				1,060,518
Net Assets Beginning of Year-Restated				4,588,750
Net Assets End of Year				<u>\$ 5,649,268</u>

See Accompanying Notes to the Basic Financial Statements

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
June 30, 2010**

	GENERAL FUND	BOND RETIREMENT FUND	BUILDING FUND	All Other Governmental Funds	Total Governmental Funds
ASSETS:					
Equity in Pooled Cash and Cash Equivalents	\$ 2,412,259	\$ 585,367	\$ 2,124,582	\$ 247,184	\$ 5,369,392
Investments	200,620				200,620
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	79,256				79,256
<i>Total Assets</i>	<u>\$ 2,692,135</u>	<u>\$ 585,367</u>	<u>\$ 2,124,582</u>	<u>\$ 247,184</u>	<u>\$ 5,649,268</u>
FUND BALANCES:					
Reserved:					
Reserved for Encumbrances	\$ 245,408		\$ 379,664	\$ 91,358	\$ 716,430
Reserved for Budget Stabilization	22,919				22,919
Reserved for Bus Purchases	56,337				56,337
Unreserved, Undesignated, Reported in:					
General Fund	2,367,471				2,367,471
Special Revenue Funds				85,129	85,129
Debt Service Funds		\$ 585,367			585,367
Capital Projects Funds			1,744,918	69,897	1,814,815
Permanent Funds				800	800
<i>Total Fund Balances</i>	<u>\$ 2,692,135</u>	<u>\$ 585,367</u>	<u>\$ 2,124,582</u>	<u>\$ 247,184</u>	<u>\$ 5,649,268</u>

See Accompanying Notes to the Basic Financial Statements

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY
Statement of Receipts, Disbursements and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010**

	GENERAL FUND	BOND RETIREMENT FUND	BUILDING FUND	All Other Governmental Funds	Total Governmental Funds
RECEIPTS:					
Property and Other Local Taxes	\$ 6,149,844	\$ 941,973		\$ 253,410	\$ 7,345,227
Intergovernmental	6,199,251	197,526		1,546,250	7,943,027
Interest	22,976			369	23,345
Tuition and Fees	488,045			65,709	553,754
Rent	6,000				6,000
Extracurricular Activities	65,214			346,980	412,194
Gifts and Donations	100		\$ 4,079	25,343	29,522
Customer Sales and Services	4,245			255,652	259,897
Payments in Lieu of Taxes				46,000	46,000
Total Receipt	<u>12,935,675</u>	<u>1,139,499</u>	<u>4,079</u>	<u>2,539,713</u>	<u>16,618,966</u>
DISBURSEMENTS:					
Current:					
Instruction:					
Regular	6,736,397			552,034	7,288,431
Special	1,201,962			614,645	1,816,607
Vocational	168,077				168,077
Student Intervention Services				4,699	4,699
Support Services:					
Pupils	552,811			15,316	568,127
Instructional Staff	566,818			122,524	689,342
Board of Education	74,565			945	75,510
Administration	1,032,419			77,330	1,109,749
Fiscal	454,244	14,964		5,161	474,369
Operation and Maintenance of Plant	1,542,808			76,527	1,619,335
Pupil Transportation	701,713			200,316	902,029
Central	159,729			1,182	160,911
Operation of Non-Instructional Services				27,825	27,825
Food Service Operations				565,171	565,171
Extracurricular Activities	438,575			380,417	818,992
Capital Outlay			379,663	4,400	384,063
Debt Service:					
Principal		690,000		73,187	763,187
Interest		592,790		31,426	624,216
Total Disbursements	<u>13,630,118</u>	<u>1,297,754</u>	<u>379,663</u>	<u>2,753,105</u>	<u>18,060,640</u>
Excess of Receipts (Under) Disbursements	<u>(694,443)</u>	<u>(158,255)</u>	<u>(375,584)</u>	<u>(213,392)</u>	<u>(1,441,674)</u>
OTHER FINANCING SOURCES AND USES:					
Transfers In	10,240				10,240
Proceeds from Sale of Capital Assets	25				25
Insurance Recoveries			2,500,000		2,500,000
Refund of Prior Year Expenditures				2,167	2,167
Transfers Out				(10,240)	(10,240)
Total Other Financing Sources and Uses	<u>10,265</u>		<u>2,500,000</u>	<u>(8,073)</u>	<u>2,502,192</u>
Net Change in Fund Balances	(684,178)	(158,255)	2,124,416	(221,465)	1,060,518
Fund Balance at Beginning of Year-Restated	3,376,313	743,622	166	468,649	4,588,750
Fund Balance at End of Year	<u>\$ 2,692,135</u>	<u>\$ 585,367</u>	<u>\$ 2,124,582</u>	<u>\$ 247,184</u>	<u>\$ 5,649,268</u>

See Accompanying Notes to the Basic Financial Statements

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY
Statement of Receipts, Disbursements, and Changes
In Fund Balances - Budget and Actual - Budget Basis
GENERAL FUND
For the Fiscal Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget
				Positive (Negative)
RECEIPTS:				
Property and Other Local Taxes	\$ 7,059,638	\$ 7,039,903	\$6,149,844	\$ (890,059)
Intergovernmental	7,390,147	7,369,489	6,199,251	(1,170,238)
Interest	57,856	57,694	22,976	(34,718)
Tuition and Fees	411,704	410,553	488,045	77,492
Rent	6,943	6,923	6,000	(923)
Extracurricular Activities	68,988	68,795	65,214	(3,581)
Gifts and Donations	578	577	100	(477)
Customer Sales and Services	7,521	7,500	4,245	(3,255)
Miscellaneous	46	46		(46)
Total Receipts	<u>15,003,421</u>	<u>14,961,480</u>	<u>12,935,675</u>	<u>(2,025,805)</u>
DISBURSEMENTS:				
Current:				
Instruction:				
Regular	6,679,250	6,679,250	6,809,397	(130,147)
Special	1,170,685	1,170,685	1,221,719	(51,034)
Vocational	182,225	182,225	169,392	12,833
Support Services:				
Pupils	608,760	608,760	553,887	54,873
Instructional Staff	566,315	566,315	573,350	(7,035)
Board of Education	104,170	104,170	103,303	867
Administration	1,234,720	1,234,720	1,063,463	171,257
Fiscal	451,545	451,545	457,759	(6,214)
Operation and Maintenance of Plant	1,398,850	1,398,850	1,564,020	(165,170)
Pupil Transportation	738,225	738,225	760,094	(21,869)
Central	120,275	120,275	160,567	(40,292)
Extracurricular Activities:				
Academic Oriented Activities	88,450	88,450	89,096	(646)
Sport Oriented Activities	359,000	359,000	349,479	9,521
Total Disbursements	<u>13,702,470</u>	<u>13,702,470</u>	<u>13,875,526</u>	<u>(173,056)</u>
Excess of Receipts Over (Under)Disbursements	<u>1,300,951</u>	<u>1,259,010</u>	<u>(939,851)</u>	<u>(2,198,861)</u>
OTHER FINANCING SOURCES AND USES:				
Transfers In	41,835	40,987	10,240	(30,747)
Proceeds from Sale of Capital Assets			25	25
Transfers Out	(113,669)	(113,669)		113,669
Total Other Financing Sources and Uses	<u>(71,834)</u>	<u>(72,682)</u>	<u>10,265</u>	<u>82,947</u>
Net Change in Fund Balances	1,229,117	1,186,328	(929,586)	(2,115,914)
Fund Balance at Beginning of Year	3,161,424	3,161,424	3,161,424	
Prior Year Encumbrances Appropriated	214,889	214,889	214,889	
Fund Balance at End of Year	<u>4,605,430</u>	<u>\$ 4,562,641</u>	<u>\$2,446,727</u>	<u>\$ (2,115,914)</u>

See Accompanying Notes to the Basic Financial Statements

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
June 30, 2010**

	Private Purpose Trust Fund	Agency Fund
ASSETS:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 742,435	\$ 31,777
NET ASSETS:		
Held for Student Activities		31,777
Held in Trust for Scholarships	742,435	
Total Net Assets	\$ 742,435	\$ 31,777

See Accompanying Notes to the Basic Financial Statements

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**
Statement of Changes in Fiduciary Net Assets - Modified Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2010

	Private Purpose Trust Fund
ADDITIONS:	
Gifts and Contributions	\$ 300
Interest	<u>28,076</u>
Total Additions	28,376
 DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>37,400</u>
Change in Net Assets	(9,024)
Net Assets Beginning of Year	<u>751,459</u>
Net Assets End of Year	<u><u>\$ 742,435</u></u>

See Accompanying Notes to the Basic Financial Statements

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 1 - Reporting Entity

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

The School District is located in a rural community in Northwest Ohio. It is staffed by 64 classified employees, 100 certified teaching personnel, and 9 administrative employees who provide services to 1,727 students and other community members.

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

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

The District is associated with eight organizations as follows: Northwest Ohio Computer Association, Northern Buckeye Education Council, Penta Career Center, Northwest Ohio Educational Council, and the Ohio Schools Council, which are defined as jointly governed organizations; the Ohio Association of School Business Officials Group Rating Program, Wood County Insurance Consortium, and Northwest Ohio Educational Council Self Insurance Pool which are insurance purchasing pools. These organizations are presented in Notes 16 and 17 to the basic financial statements.

The District's management believes these financial statements present all activities for which the District is financially accountable. As discussed further in Note 2.A, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. Following are the more significant of the School District's accounting policies.

Note 2 - Summary of Significant Accounting Policies

A. Basis of Presentation

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

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the School District's general receipts.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The School District's major funds are the General Fund, Building Fund, and Bond Retirement Fund.

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

Building Fund - The Building Fund is used to account for all financial activity for the purpose of constructing school facilities, constructing additions to, renovating, and improving existing school facilities.

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

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Fiduciary Funds

The fiduciary fund category is split into two classifications: private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature. The School District's agency fund accounts for various student-managed activities.

C. Basis of Accounting

Although required by Ohio Administrative Code Sections 117-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP), the School District chose to prepare its financial statements and notes in accordance with the modified cash basis of accounting. Except for some investments which are reported at fair market value, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain 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.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved). Difference between disbursements reported in the fund statements versus budgetary expenditures are due to encumbrances outstanding at the beginning and end of the fiscal year.

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

D. Budgetary Process

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

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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

E. Cash and Investments

To improve cash management, cash received by the School District is pooled, except for the federal agency securities purchased and held in a separate management account to the credit of the School District's General Fund only. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2010, the School District invested in nonnegotiable certificates of deposit, federal agency securities, a money market fund, and STAR Ohio. Investments are reported at cost, except for the federal agency security, and money market fund. The School District's federal agency security and money market fund investment is recorded at fair market value at June 30, 2010. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2010.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2010 was \$22,976, which included \$5,098 assigned from other School District funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside for bus purchases, acquisition of textbooks and instructional materials, and the acquisition and construction of capital improvements.

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

G. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's modified cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The School District's modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specific purposes.

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

M. Fund Balance Reserves

The School District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, budget stabilization, and bus purchases.

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

N. Interfund Transactions

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

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

A. Change in Basis of Accounting

For 2010, the School District ceased to report using generally accepted accounting principles and reported on the modified cash basis as described in Note 2C.

B. Restatement of Fund Equity

The implementation of this change had the following effects on fund equity of the major and nonmajor funds of the School District as they were previously reported. The effects on net assets of governmental activities are also presented.

	General	Bond Retirement	Building Fund	Other Governmental	Total Governmental
Fund Balance June 30, 2009	\$2,906,073	\$872,941	\$166	\$376,056	\$4,155,236
Eliminate Asset Accruals	(7,797,915)	(1,109,523)		(507,550)	(9,414,988)
Eliminate Inventory				(280)	(280)
Eliminate Prepaid Items	(32,653)				(32,653)
Eliminate Liability Accruals	8,300,808	980,204		600,423	9,881,435
Adjusted Fund Balance June 30, 2009	<u>\$3,376,313</u>	<u>\$743,622</u>	<u>\$166</u>	<u>\$468,649</u>	<u>\$4,588,750</u>

Governmental Activities Net Assets June 30, 2009	\$6,337,240
Eliminate Government-Wide Financial Statements Adjustments:	
Inventory Held for Re-sale	(280)
Accounts Receivable	(8,557)
Accrued Interest Receivable	(13,206)
Intergovernmental Receivable	(18,268)
Prepaid Items	(32,653)
Property Taxes Receivable	(9,197,427)
Payment in Lieu of Taxes Receivable	(177,530)
Unamortized Bond Issuance Cost	(133,100)
Capital Assets	(16,733,213)
Accounts Payable	128,348
Accrued Wages and Benefits	970,684
Intergovernmental Payable	358,290
Accrued Interest Payable	71,432
Deferred Revenue	8,163,895
Long Term Debt	14,873,095
Adjusted Governmental Activities Net Assets June 30, 2009	<u>\$4,588,750</u>

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

Note 4 – Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School 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 School District can be fined and various other administrative remedies may be taken against the School District.

Contrary to Ohio law, the General, Building, Food Service, and District Managed Activities Funds' disbursements exceeded appropriations by \$59,387, \$759,160, \$53,317, and \$80,482 respectively at the end of fiscal year 2010.

Note 5 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the 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 prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis).

The General fund encumbrances outstanding at year end (budgetary basis) amounted to \$245,408.

Note 6 – Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

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

Inactive deposits are public deposits that the Board 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 held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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;

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

Note 6 – Deposits and Investments (Continued)

2. United States Treasury bills, bonds, notes, 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;
3. Bonds, notes, debentures, or any other obligation or security 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;
4. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
5. Bonds and other obligations of the State of Ohio or Ohio local governments;
6. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
7. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
8. The State Treasurer's investment pool (STAR Ohio).

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

At year end, the School District had \$3,200 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,228,621 of the School District's bank balance of \$4,423,457 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

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

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

Note 6 - Deposits and Investments (Continued)

Investments

As of June 30, 2010, the School District had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
Federal Home Loan Mortgage Corporation Note	\$200,620	08/12/10
U.S. Treasury Money Market Fund	7,328	Less than 90 days
STAR Ohio	1,860,181	Less than 90 days
Total Investments	<u>\$2,068,129</u>	

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

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

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has limited custodial risk on the above investments as they are held in the School District's name by its agent. The School District has no investment policy dealing with custodial credit risk beyond the requirements of State statute which prohibit payment for investments prior to the delivery of the securities representing the investments to the treasurer or qualified trustee.

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

Note 7 - Property Taxes

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year. Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District.

Real property tax receipts received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after October 1, 2009 on the assessed values as of January 1, 2009, 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 receipts received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after October 1, 2009 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal is currently assessed at varying percentages of true value.

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

Note 7 - Property Taxes (Continued)

The tangible personal property tax has been phased out. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. The assessment percentage for all property, including inventory, for 2010 and 2011 is zero percent.

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

The School District receives property taxes from Wood and Ottawa Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2010 are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property	\$225,475,860	95.13%	\$227,427,770	95.42%
Public Utility Property	11,550,285	4.87	10,916,640	4.58
Total Assessed Value	<u>\$237,026,145</u>	<u>100.00%</u>	<u>\$238,344,410</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$56.00		\$59.81	

Note 8 – Interfund Transactions

During the year ended June 30, 2010, the District transferred \$10,240 from the Title II-A fund a Non-major Governmental Fund to the General fund a Major Governmental Fund.

Note 9 – Payment in Lieu of Taxes

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

Note 10 - Risk Management

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

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

Note 10 - Risk Management (Continued)

comprehensive insurance coverage through Northwest Ohio Educational Council Self Insurance Pool, an insurance purchasing pool (See Note 17), for the areas described below.

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

There have been no significant reductions in insurance coverage from fiscal year 2009, and settled claims, if any, have not exceeded coverage in any of the past three years.

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

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

Note 11 - Defined Benefit Pension Plans

A. State Teachers Retirement System

Plan Description - The School 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.

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

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

Note 11 - Defined Benefit Pension Plans (Continued)

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 the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School 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 School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$794,184, \$754,960, and \$741,879 respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$218,970, \$148,531 and \$147,151 respectively; 44 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2010, four of the Board of Education members have elected Social Security. The contribution rate is 6.2 percent of wages paid.

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

Note 12 - Postemployment Benefits

A. State Teachers Retirement System

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

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 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$61,091, \$58,074, and \$57,068 respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System 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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of 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.

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 401h. For 2010, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$27,676.

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

The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$7,882, \$67,974, and \$77,752 respectively; 44 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was .76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$13,022, \$12,255, and \$10,603 respectively; 44 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

Note 13 - Leases

The School District leases copiers from MT Technologies. The School District also leases school buses and computer equipment. The School District disbursed \$203,174 to pay lease costs for the year ended June 30, 2010.

Year Ending June 30,	Copier Lease Amount	School Buses and Computer Equipment Amount
2011	\$45,904	\$157,270
2012	45,904	
2013	22,952	
	\$114,760	\$157,270

Note 14 – Debt

The changes in the School District’s long-term obligations during fiscal year 2010 were as follows:

	Interest Rate	Balance at 06/30/09	Additions	Reductions	Balance at 06/30/10	Due Within One Year
<u>General Long-Term Debt</u>						
General Obligation Bonds						
Middle School Bonds	4.2 – 5.2%	\$2,010,000		\$520,000	\$1,490,000	\$540,000
Capital Appreciation						
Original Issue		444,995			444,995	
Accretion		526,116	\$50,644		576,760	
2007 Refunding						
Serial	4.0%	7,045,000		155,000	6,890,000	160,000
Term	4.0%	1,185,000			1,185,000	
Capital Appreciation						
Original Issue		574,990			574,990	
Accretion		223,971	120,047		344,018	
High School Bonds	2.25% - 3.0%	15,000		15,000		
Energy Conservation Bonds	4.125%	779,741		73,187	706,554	76,237
Total General Long-Term Debt		\$12,804,813	\$170,691	\$763,187	\$12,212,317	\$776,237

FY 2001 School Improvement Bonds – on May 1, 2001 the District issued \$14,799,995 in voted general obligation bonds for constructing, renovating, at the middle school and other buildings. The bond issue included serial, term, and capital appreciation bonds. The bonds were issued for a twenty-five year period, with final maturity during fiscal year 2025. The District issued \$9,139,990 in refunding bonds to retire a portion of these bonds. The remaining \$1,934,995 bonds will be fully retired on December 1, 2015.

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

Note 14 – Debt (Continued)

FY 2007 School Improvement Refunding Bonds - On January 25, 2007, the School District issued bonds, in the amount of \$9,139,990, to partially refund bonds previously issued in 2001 for constructing and renovation to the District's middle school. The bond issue included serial, term, and capital appreciation bonds in the amounts of \$7,380,000, \$1,185,000, and \$574,990 respectively. The bonds were issued at a premium of \$794, 111. The bonds were issued for a nineteen year period, with final maturity during fiscal year 2025.

At June 30, 2010, all of the refunded bonds were still outstanding.

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

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2010, were as follows:

Middle School Renovation General Obligation Bonds – 2001

Fiscal Year Ending June 30,	Serial Bond Principal	Serial Bond Interest	Capital Appreciation Principal	Capital Appreciation Interest	Total
2011	\$540,000	\$58,100			\$598,100
2012	575,000	32,725			607,725
2013		19,500	\$231,586	\$363,414	614,500
2014		19,500	213,409	381,591	614,500
2015		19,500			19,500
2016	375,000	9,750			384,750
	<u>\$1,490,000</u>	<u>\$159,075</u>	<u>\$444,995</u>	<u>\$745,005</u>	<u>\$2,839,075</u>

Middle School Renovation Refunding Bonds – 2007

Fiscal Year Ending June 30,	Serial Bond Principal	Serial Bond Interest	Term Bond Principal	Term Bond Interest	Capital Appreciation Principal	Capital Appreciation Interest	Total
2011	\$160,000	\$293,000		\$26,800			\$479,800
2012	165,000	286,500		26,800			478,300
2013	170,000	279,800		26,800			476,600
2014	180,000	272,800		26,800			479,600
2015		269,200		26,800	\$259,935	\$520,065	1,076,000
2016-2020	2,455,000	1,201,300		134,000	315,055	874,945	4,980,300
2021-2025	3,760,000	390,800	\$1,030,000	134,000			5,314,800
2026			155,000	3,100			158,100
	<u>\$6,890,000</u>	<u>\$2,993,400</u>	<u>\$1,185,000</u>	<u>\$405,100</u>	<u>\$574,990</u>	<u>\$1,395,010</u>	<u>\$13,443,500</u>

The annual requirements to amortize energy conservation note outstanding as of June 30, 2010 are as follows:

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

Year Ending June 30,	Principal	Interest	Total
2011	\$76,237	\$28,376	\$104,613
2012	79,347	25,266	104,613
2013	82,721	21,892	104,613
2014	86,168	18,445	104,613
2015	89,759	14,854	104,613
2016-2018	292,322	21,517	313,839
	<u>\$706,554</u>	<u>\$130,350</u>	<u>\$836,904</u>

Note 15 - Set Aside Requirements

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2010.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2009	\$ 137,972		\$22,919
Current Year Set Aside Requirement	261,331	261,331	
Qualifying Cash Disbursements	(429,903)	(261,331)	
Amount Carried Forward to Future Fiscal Years	<u>\$ (30,600)</u>	<u></u>	<u>\$ 22,919</u>
Set Aside Reserve Balance June 30, 2010	<u></u>	<u></u>	<u>\$ 22,919</u>

The School District had qualifying cash disbursements during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years.

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended Ohio Revised Code § 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. S.B. 345 places special restrictions on the use of Bureau of Workers Compensation (BWC) rebate money remaining in the budget stabilization as of April 10, 2001, which is \$22,919 at June 30, 2010. The District is still required by state law to maintain the textbook and capital maintenance reserves.

Note 16 - Jointly Governed Organizations

Northwest Ohio Computer Association

The School District is a participant in the Northwest Ohio Computer Association (NWOCA) which is a computer consortium. NWOCA is an association of education entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood counties in northwestern Ohio. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

Note 16 - Jointly Governed Organizations (Continued)

to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

Northern Buckeye Education Council

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

Total disbursements made by the School District to Northern Buckeye Education Council during this fiscal year were approximately \$60,181. These payments include services for NWOCA. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

Penta Career Center

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

The Northwest Ohio Educational Council

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

Ohio Schools Council

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

Note 17 – Insurance Purchasing Pool

Ohio Association of School Business Officials Group Rating Program

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

Lake Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

Note 17 – Insurance Purchasing Pool (Continued)

Wood County Insurance Consortium

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

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

Northwest Ohio Educational Council Self Insurance Pool

The District participates in the Northwest Ohio Educational Council Self Insurance Pool (Pool), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Pool is an unincorporated nonprofit association of its members which enable the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a board consisting of superintendents, treasurers, and others. Financial information can be obtained from Paul Brotzki, Treasurer of Maumee City Schools, 2345 Detroit Avenue, Maumee, OH 43437.

Note 18 - Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

Litigation

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

Note 19 – Subsequent Events

The School District is working with its insurance company for a settlement for damage received during the June 5, 2010 tornado. Subsequent to June 30, 2010, the School District has received \$18,412,571 in advance settlement payments. In addition, the District has received approval of \$4.8 million from the Ohio School Facilities Commission from its emergency assistance program and \$2.5 million from the Ohio Department of Education in additional emergency assistance. As of December 22, 2010, the School District has received \$711,538 in donations.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Federal Receipts	Federal Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
<u>Child Nutrition Cluster</u>			
School Breakfast Program	10.553	\$32,662	\$32,662
National School Lunch Program:			
Cash Assistance	10.555	194,605	194,605
Non-cash Assistance (Commodities)	10.555	<u>62,935</u>	<u>62,935</u>
Total National School Lunch Program		257,540	257,540
Total U.S. Department of Agriculture		<u>290,202</u>	<u>290,202</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
<u>Title I, Part A Cluster</u>			
Title I Grants to Local Educational Agencies	84.010	233,820	247,462
ARRA - Title I Grants to Local Educational Agencies	84.389	<u>39,613</u>	<u>114,719</u>
Total Title I, Part A Cluster		273,433	362,181
Safe and Drug-Free Schools and Communities - State Grants	84.186	4,351	4,351
ARRA - State Fiscal Stabilization Fund	84.394	255,425	218,199
Education Technology State Grants	84.318	2,290	2,957
Improving Teacher Quality State Grants	84.367	50,311	50,708
<u>Special Education Cluster</u>			
Special Education Grants to States	84.027	273,339	303,711
ARRA - Special Education Grants to States	84.391	<u>183,250</u>	<u>191,420</u>
Total Special Education Cluster		456,589	495,131
Total U.S. Department of Education		<u>1,042,399</u>	<u>1,133,527</u>
Total Federal Awards Receipts and Expenditures		<u>\$1,332,601</u>	<u>\$1,423,729</u>

The Notes to the Federal Awards Receipts and Expenditures Schedule are an integral part of this schedule.

LAKE LOCAL SCHOOL DISTRICT

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the program that benefitted from the use of those donated food commodities

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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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Local School District, Wood County, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 7, 2011 wherein, we noted the District changed its financial presentation from reporting in accordance with generally accepted accounting principles to reporting on the modified cash basis. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and questioned costs we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-003 described in the accompanying schedule of findings and questioned costs to be a material weakness.

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484

www.auditor.state.oh.us

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 matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as item 2010-001 and 2010-002.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 7, 2011.

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

We intend this report solely for the information and use of management, the audit committee, Board of Education, 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

March 7, 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

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

Compliance

We have audited the compliance of Lake Local School District, Wood County (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings and questioned cost 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.

As described in finding 2010-004 in the accompanying schedule of findings and questioned costs, the District did not comply with the requirement regarding allowable cost applicable to its Special Education Grant Cluster major federal programs. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the 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, 2010.

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 the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-004 to be a material weakness.

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

We also noted matters involving federal compliance and internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated March 7, 2011.

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



Dave Yost
Auditor of State

March 7, 2011

LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2010

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified for Title I, Part A Cluster Qualified for Special Education Grant Cluster
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 84.010 and 84.389 Title I, Part A Cluster and CFDA # 84.027 and 84.391, Special Education Grant Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2010-001

Noncompliance Finding

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

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, the District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

We recommend the District prepare its statements in accordance with accounting principles generally accepted in the United States of America.

Officials' Response:

As one of the many cost cutting items identified for Fiscal Year 2011, the Board agreed with the Treasurer's recommendation to suspend the preparation and compilation of the traditional GAAP Reports due to its high cost versus the limited value and usage of these reports.

FINDING NUMBER 2010-002

Noncompliance Finding

Ohio Revised Code § 5705.41(B) states no subdivision shall make any expenditure of money unless it has been lawfully appropriated.

The following funds had expenditures in excess of appropriations for the year ended December 31, 2010:

Fund	Appropriations	Expenditures	Excess
General	\$13,816,139	\$13,875,526	\$59,387
Building	167	759,327	759,160
Food Service	521,625	574,942	53,317
District Managed Activity	253,880	334,362	80,482

We recommend the Treasurer and the Board review and amend appropriations whenever necessary in an effort to prevent expenditures from exceeding appropriations, provided sufficient resources are available.

Officials' Response:

Due to the June 5, 2010 tornado, Board approval on final appropriations was delayed.

FINDING NUMBER 2010-003

Budgetary Material Weakness

The budgeted amounts on the schedule of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual – General Fund (budget vs. actual statement) should agree to the accounting system and to the legally adopted Certificate of Estimated Receipts and appropriations approved by the Board and authorized by the County Budget Commission. The budget vs. actual statement did agree to the accounting system, but the accounting system was not updated throughout the year to reflect amendments to estimated receipts. This resulted in audit adjustments of \$2,078,422 to the original budget revenue column and \$2,035,633 to the final budget revenue column of the budget vs. actual statement. We also noted variances between appropriations reported in the financial statements and the Board approved appropriations resulting in adjustments to the financial statements totaling \$831,025 to the original budget appropriation column and \$261,058 to the final budget appropriation column.

Sound financial reporting is the responsibility of the Treasurer and Board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. These practices hinder the monitoring of the budgetary process and could allow the District to spend funds in excess of the amounts available as well as spend in excess of appropriations.

We recommend the District record estimated receipts as certified by the County Budget Commission in the receipt ledger to allow for the comparison of estimated receipts to those actually received and to ensure the Board’s financial statements and notes to the statements are complete and accurate. We also recommend the District monitor expenditures in comparison to appropriations throughout the year and make amendments in a timely manner to reduce the risk of budgetary noncompliance.

Officials’ Response:

The Treasurer will update receipts whenever changes are made to the Certificate of Estimated Resources.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Allowable Cost – Non-Compliance, Material Weakness and Questioned Cost

Finding Number	2010-004
CFDA Title and Number	84.027 and 84.391, Special Education Grant Cluster
Federal Award Number / Year	FY 2010
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

2 CFR 225 (A-87), Appendix A, subpart C Basic Guidelines (2005) states, in pertinent parts,

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
 - a. Be allocable to Federal awards under the provisions of this Circular.
 - d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.

2 CFR 225 (A-87), Appendix B, subpart 8.h.4 states (2005),

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8.h.(5) of this appendix unless a statistical sampling system (see subsection 8.h.(6) of this appendix) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity.

The District charged one half of the salary and related benefits of the person with the responsibilities of: Special Ed Director/Curriculum Director/CCIP Coordinator/Gifted Supervisor amounting to \$52,961. There was no time and effort documentation to support the salaries and related benefits charged to the Special Education program as required. For this reason, we are questioning the \$52,961. We recommend Lake Local School District remit from their General Fund to the ARRA - Special Education Grants to States Fund the amount of \$52,961.

Officials' Response:

See corrective action plan on the following page.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2010**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2010-004	The Administrator has corrected by preparing the required forms.	Completed	Jeff Carpenter, Treasurer

LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Budgetary amounts in the system not agreeing to supporting documents	No	Repeated in this report as finding 2010-003.



Dave Yost • Auditor of State

LAKE LOCAL SCHOOL DISTRICT

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 22, 2011