

***LAKE LOCAL SCHOOL DISTRICT***  
***WOOD COUNTY***  
**Audit Report**  
**For the Year Ended June 30, 2014**







# Dave Yost • Auditor of State

Board of Education  
Lake Local School District  
28090 Lemoyne Road  
Millbury, Ohio 43447

We have reviewed the *Independent Auditors' Report* of the Lake Local School District, Wood County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Lake Local School District is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

March 30, 2015

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LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY  
AUDIT REPORT  
For the Year Ending June 30, 2014

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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## **INDEPENDENT AUDITORS' REPORT**

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lake Local School District, Wood County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lake Local School District, Wood County, Ohio, as of June 30, 2014, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Supplemental and Other Information*

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

*Management's Discussion & Analysis* includes tables of net position, changes in net position and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Awards Receipts and Expenditures also presents additional analysis as 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 financial statements.

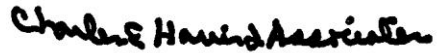
These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***  
November 26, 2014

**LAKE LOCAL SCHOOL DISTRICT**  
**WOOD COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the fiscal year ended June 30, 2014  
(Unaudited)

The discussion and analysis of Lake Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014, within the limitations of the cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2014 are as follows:

- Net position of governmental activities decreased by \$61,509 which represents a 2.9% decrease from fiscal year 2013.
- General revenues accounted for \$15,814,002 in revenue or 88.7% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$2,014,161 or 11.3 % of total revenues of \$17,828,163.
- The District had \$17,889,672 in expenses related to governmental activities; only \$2,014,161 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$15,814,002 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 School District's cash basis of accounting.

REPORT COMPONENTS

The statement of net position 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 in which the 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.

**LAKE LOCAL SCHOOL DISTRICT**  
**WOOD COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For the fiscal year ended June 30, 2014  
(Unaudited)

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 the cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the 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 with this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2014, within the limitations of the cash basis of accounting. The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School 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 School District's general receipts.

These statements report the School District's cash position and changes in cash position. Keeping in mind the limitations of the 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 the 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 position and the statement of activities, all of the School District activities are presented as governmental activities. All of the School District's programs and services are reported here including instruction, support services, non-instructional services, food services and extracurricular activities.

**LAKE LOCAL SCHOOL DISTRICT**  
**WOOD COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For the fiscal year ended June 30, 2014  
(Unaudited)

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund financial statements provide detailed information about the School 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 School 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 basis for 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 non-major 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, Bond Retirement, and Permanent Improvement Funds.

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

Table 1 provides a summary of the School District's net position for fiscal year 2014 compared to fiscal year 2013.

Table 1  
Net Position

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 2,073,716	\$ 2,135,225
<u>Total Assets</u>	<u>2,073,716</u>	<u>2,135,225</u>
<u>Net Position</u>		
Restricted	1,339,154	1,661,564
Unrestricted	<u>734,562</u>	<u>473,661</u>
<u>Total Net Position</u>	<u>\$ 2,073,716</u>	<u>\$ 2,135,225</u>

As mentioned previously, total net position decreased \$61,509. The primary reason for this is that the District had \$392,256 of capital outlay expenditures in the Permanent Improvement Fund.

**LAKE LOCAL SCHOOL DISTRICT**  
**WOOD COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For the fiscal year ended June 30, 2014  
(Unaudited)

Table 2 reflects the changes in net position for fiscal years 2014 and 2013.

TABLE 2  
Change in Net Position

	<u>Governmental Activities</u>		<u>Net Increase</u>
	<u>2014</u>	<u>2013</u>	<u>(Decrease)</u>
<u>Receipts</u>			
<u>Program Receipts:</u>			
Charges for services and sales	\$ 1,043,279	\$ 1,154,019	\$ (110,740)
Operating grants, contributions and interest	951,492	1,062,457	(110,965)
Capital grants, contributions and interest	19,390	4,330	15,060
<u>Total Program Receipts</u>	<u>2,014,161</u>	<u>2,220,806</u>	<u>(206,645)</u>
<u>General Receipts:</u>			
Property Taxes	8,548,882	7,984,885	563,997
Payment in lieu of taxes	7,306	7,306	-
Grants and entitlements	6,695,008	6,112,438	582,570
Interest	928	2,070	(1,142)
Proceeds from sale capital assets	-	38,594	(38,594)
Miscellaneous	39,453	1,463	37,990
Gifts and Donations	-	3,000	(3,000)
Loan Proceeds	500,000	500,000	-
Refund of Prior Year Expenditures	22,425	538	21,887
Insurance recoveries	-	2,882,300	(2,882,300)
<u>Total General Receipts</u>	<u>15,814,002</u>	<u>17,532,594</u>	<u>(1,718,592)</u>
<u>Total Receipts</u>	<u>17,828,163</u>	<u>19,753,400</u>	<u>(1,925,237)</u>
<u>Expenditures</u>			
Instruction	9,539,221	9,066,186	473,035
Support services:			
Pupils	436,402	461,653	(25,251)
Instructional staff	322,443	373,598	(51,155)
Board of Education	78,180	178,086	(99,906)
Administration	1,214,331	1,166,829	47,502
Fiscal	495,161	449,276	45,885
Operation and maintenance of plant	1,663,016	1,417,684	245,332
Pupil transportation	721,238	709,650	11,588
Central	129,184	210,117	(80,933)
Non-Instructional	28	4,027	(3,999)
Food service operations	475,767	518,612	(42,845)
Extracurricular Activities	675,351	700,930	(25,579)
Capital outlay	438,425	3,686,970	(3,248,545)
Debt service - Principal	1,361,168	1,347,721	13,447
Interest and fiscal charges	339,757	353,022	(13,265)
<u>Total Expenditures</u>	<u>17,889,672</u>	<u>20,644,361</u>	<u>(2,754,689)</u>
<u>Increase (Decrease) in Net Position</u>	<u>(61,509)</u>	<u>(890,961)</u>	<u>829,452</u>
<u>Net Position Beginning of Year</u>	<u>2,135,225</u>	<u>3,026,186</u>	<u>(890,961)</u>
<u>Net Position End of Year</u>	<u>\$ 2,073,716</u>	<u>\$ 2,135,225</u>	<u>\$ (61,509)</u>

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For the fiscal year ended Jun 30, 2014  
(Unaudited)

Program receipts account for 11.3% 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 53.3% of all governmental disbursements. Other programs which support the instruction process including pupils, instructional staff, and pupil transportation account for 28.3% of governmental disbursements. The remaining 18.4% of the District's disbursement 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 services supported by tax revenues and unrestricted state entitlements.

TABLE 3  
Governmental Activities

	2014		2013	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 9,539,221	\$ 8,470,961	\$ 9,066,186	\$ 7,933,729
<u>Support Services</u>				
Pupils	436,402	436,402	461,653	457,878
Instructional staff	322,443	286,966	373,598	343,860
Board of Education	78,180	78,180	178,086	178,086
Administration	1,214,331	1,210,501	1,166,829	1,162,999
Fiscal	495,161	495,161	449,276	449,276
Plant Operation and Maintenance	1,663,016	1,657,616	1,417,684	1,412,284
Pupil transportation	721,238	721,238	709,650	709,650
Central	129,184	129,184	210,117	210,117
Non-instructional	28	28	4,027	4,027
Food service operations	475,767	33,586	518,612	(40,768)
Extracurricular activities	675,351	235,728	700,930	219,034
Capital outlay	438,425	419,035	3,686,970	3,682,640
Principal	1,361,168	1,361,168	1,347,721	1,347,721
Interest and fiscal charges	339,757	339,757	353,022	353,022
<u>Total Government Activities</u>	<u>\$17,889,672</u>	<u>\$15,875,511</u>	<u>\$20,644,361</u>	<u>\$18,423,555</u>

The School District is dependent upon tax revenues for governmental activities. Over 88.8% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 88.7%. The community, as a whole, is the primary support for Lake Local School District students.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For the fiscal year ended June 30, 2014  
(Unaudited)

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. Total governmental funds (excluding transfers and advances) had receipts of \$17,828,163 and disbursements of \$17,889,672. This resulted in a negative change in fund balance of \$61,509 for the fiscal year.

BUDGETARY HIGHLIGHTS

The School District prepares an annual budget of revenues and expenditures for all funds of the School District for use by School District officials and department heads and prepares such other budgetary documents as are required by State statute, including the annual appropriations resolution 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 2014, the School District amended its General Fund budget as needed.

For the General Fund, the original and final budget basis receipts and other financing sources were both \$13,939,846. Actual receipts of \$14,236,669 were higher than final budgeted estimates in the amount of \$296,823. The original and final budgetary basis disbursements were both \$14,874,818. The actual budgetary basis disbursements and other financing uses of \$14,805,124 were \$69,694 less than the final budget estimates.

Debt Administration

Debt

At June 30, 2014, the District had \$9,765,853 due from school improvement general obligation and energy conservation bonds, including accretion on capital appreciation bonds.

Note 14 provides additional details regarding debt.

CURRENT ISSUES

On June 7, 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. All told, damages exceeded 33 million dollars.

The new High School was completed in July 2012, in time for the 2012/2013 school year which began in late August. The event did not impact the General Fund or normal school funding operations as the damages were covered by insurance, a grant from the Ohio School Facilities Commission, and a grant from the Ohio Department of Education's catastrophic aid fund.

**LAKE LOCAL SCHOOL DISTRICT**  
**WOOD COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For the fiscal year ended June 30, 2014  
(Unaudited)

After years of State education funding cuts, the District received the same amount of funding in FY2013, \$2,240,534 as it did in FY2002. (\$2,237,154) Per the 2014/2015 Ohio biennium budget the District will receive a 6% increase, or \$4,685,791 in FY2015. However, due to legislatively imposed increase caps, this will still represent only 70% of the state's own educational funding formula.

Out of 614 Ohio school districts, the District had a remarkably low Expenditure Per Pupil of \$6,906 in FY2013 which ranked 40<sup>th</sup> lowest in the state, while it maintained a Performance Index Rating of 101.8. Only 10 school districts in the state had a lower Expenditure Per Pupil and a higher Performance Index rating.

REQUEST FOR INFORMATION

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



Lake Local School District  
Wood County

Statement of Net Position - Cash Basis  
June 31, 2014

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>2,073,716</u>
<i>Total Assets</i>	<u><u>\$ 2,073,716</u></u>
<b>NET POSITION:</b>	
Restricted for Debt Service	\$ 677,222
Restricted for Capital Outlay	334,458
Restricted for Other Purposes	221,918
Restricted for Set Asides	22,919
Restricted for Bus Purchases	78,837
Restricted - for Scholarships:	
Non-spendable	3,800
Unrestricted	<u>734,562</u>
<i>Total Net Position</i>	<u><u>\$ 2,073,716</u></u>

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

Lake Local School District  
Wood County

Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2014

	Program Receipts			Net(Disbursements) Receipts and Changes in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants	Capital Grants	Governmental Activities
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$ 7,321,409	\$ 407,654	\$ 148,447	\$ -	\$ (6,765,308)
Special	2,135,338	-	512,159	-	(1,623,179)
Vocational	76,217	-	-	-	(76,217)
Student Intervention Services	5,880	-	-	-	(5,880)
Other	377	-	-	-	(377)
<b>Support Services:</b>					
Pupils	436,402	-	-	-	(436,402)
Instructional Staff	322,443	-	35,477	-	(286,966)
Board of Education	78,180	-	-	-	(78,180)
Administration	1,214,331	-	3,830	-	(1,210,501)
Fiscal	495,161	-	-	-	(495,161)
Operation and Maintenance of Plant	1,663,016	-	5,400	-	(1,657,616)
Pupil Transportation	721,238	-	-	-	(721,238)
Central	129,184	-	-	-	(129,184)
Operation of Non-Instructional Services	28	-	-	-	(28)
Food Service Operations	475,767	196,002	246,179	-	(33,586)
Extracurricular Activities	675,351	439,623	-	-	(235,728)
Capital Outlay	438,425	-	-	19,390	(419,035)
<b>Debt Service</b>					
Principal	1,361,168	-	-	-	(1,361,168)
Interest and Fiscal Charges	339,757	-	-	-	(339,757)
<b>Total Governmental Activities</b>	<u>\$ 17,889,672</u>	<u>\$ 1,043,279</u>	<u>\$ 951,492</u>	<u>\$ 19,390</u>	<u>(15,875,511)</u>
<b>General Receipts:</b>					
<b>Taxes:</b>					
Property Taxes, Levied for General Purposes					7,372,106
Property Taxes, Levied for Capital Outlay					257,786
Property Taxes, Levied for Debt Service					918,990
Payments in Lieu of Taxes					7,306
Grants and Entitlements not Restricted to Specific Programs					6,695,008
Miscellaneous					39,453
Investment Earnings					928
Loan Proceeds					500,000
Refund of Prior Year Expenditures					22,425
<b>Total General Receipts</b>					<u>15,814,002</u>
<b>Change in Net Position</b>					(61,509)
<b>Net Position Beginning of Year</b>					<u>2,135,225</u>
<b>Net Position End of Year</b>					<u>\$ 2,073,716</u>

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

Lake Local School District  
Wood County

Statement of Assets and Fund Balances - Cash Basis  
Governmental Funds  
June 30, 2014

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Permanent Improvement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 770,192	\$ 677,222	\$ 251,529	\$ 273,017	\$ 1,971,960
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	<u>101,756</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,756</u>
<i>Total Assets</i>	<u><u>871,948</u></u>	<u><u>677,222</u></u>	<u><u>251,529</u></u>	<u><u>273,017</u></u>	<u><u>2,073,716</u></u>
<b>FUND BALANCES:</b>					
Non-Spendable	-	-	-	3,800	3,800
Restricted	101,756	677,222	251,529	304,847	1,335,354
Assigned	403,313	-	-	-	403,313
Unassigned	<u>366,879</u>	<u>-</u>	<u>-</u>	<u>(35,630)</u>	<u>331,249</u>
<i>Total Fund Balances</i>	<u><u>\$ 871,948</u></u>	<u><u>\$ 677,222</u></u>	<u><u>\$ 251,529</u></u>	<u><u>\$ 273,017</u></u>	<u><u>\$ 2,073,716</u></u>

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

Lake Local School District  
Wood County

Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis  
Governmental Funds  
For the Fiscal Year Ended June 30, 2014

	General Fund	Bond Retirement Fund	Permanent Improvement Fund	All Other Governmental Funds	Total Governmental Funds
<b>RECEIPTS:</b>					
Property and Other Local Taxes	\$ 7,372,106	\$ 918,990	\$ 257,786	\$ -	\$ 8,548,882
Intergovernmental	6,433,372	202,770	58,866	945,596	7,640,604
Interest	879	-	-	49	928
Tuition and Fees	379,920	-	-	-	379,920
Rent	5,000	-	-	-	5,000
Extracurricular Activities	140,101	-	-	243,490	383,591
Gifts and Donations	17,724	-	-	75,809	93,533
Customer Sales and Services	3,573	-	-	197,052	200,625
Payments in Lieu of Taxes	-	-	-	7,306	7,306
Miscellaneous	39,453	-	-	5,896	45,349
<i>Total Receipts</i>	<u>14,392,128</u>	<u>1,121,760</u>	<u>316,652</u>	<u>1,475,198</u>	<u>17,305,738</u>
<b>DISBURSEMENTS</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	7,156,730	-	5,811	158,868	7,321,409
Special	1,596,387	-	-	538,951	2,135,338
Vocational	76,217	-	-	-	76,217
Student Intervention Services	5,880	-	-	-	5,880
Other	-	-	-	377	377
<b>Support Services:</b>					
Pupils	428,694	-	-	7,708	436,402
Instructional Staff	283,753	-	-	38,690	322,443
Board of Education	74,830	3,350	-	-	78,180
Administration	1,210,501	-	-	3,830	1,214,331
Fiscal	477,916	13,189	3,662	394	495,161
Operation and Maintenance of Plant	1,602,486	-	52,430	8,100	1,663,016
Pupil Transportation	721,238	-	-	-	721,238
Central	121,880	-	-	7,304	129,184
Operation of Non-Instructional Services	-	-	-	28	28
Food Service Operations	-	-	-	475,767	475,767
Extracurricular Activities	365,749	-	15,269	294,333	675,351
Capital Outlay	-	-	392,256	46,169	438,425
<b>Debt Service:</b>					
Principal	500,000	775,000	86,168	-	1,361,168
Interest	2,212	319,100	18,445	-	339,757
<i>Total Disbursements</i>	<u>14,624,473</u>	<u>1,110,639</u>	<u>574,041</u>	<u>1,580,519</u>	<u>17,889,672</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(232,345)</u>	<u>11,121</u>	<u>(257,389)</u>	<u>(105,321)</u>	<u>(583,934)</u>
<b>OTHER FINANCING SOURCES AND USES:</b>					
Transfers In	-	-	-	60,062	60,062
Advances In	-	-	-	8,817	8,817
Loan Proceeds	500,000	-	-	-	500,000
Refund of Prior Year Expenditures	22,425	-	-	-	22,425
Transfers Out	(60,062)	-	-	-	(60,062)
Advances Out	(8,817)	-	-	-	(8,817)
<i>Total Other Financing Sources and Uses</i>	<u>453,546</u>	<u>-</u>	<u>-</u>	<u>68,879</u>	<u>522,425</u>
<i>Net Change in Fund Balances</i>	221,201	11,121	(257,389)	(36,442)	(61,509)
<i>Fund Balance at Beginning of Year</i>	<u>650,747</u>	<u>666,101</u>	<u>508,918</u>	<u>309,459</u>	<u>2,135,225</u>
<i>Fund Balance at End of Year</i>	<u>\$ 871,948</u>	<u>\$ 677,222</u>	<u>\$ 251,529</u>	<u>\$ 273,017</u>	<u>\$ 2,073,716</u>

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

Lake Local School District  
Wood County

Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
General Fund  
For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>RECEIPTS:</b>				
Property and Other Local Taxes	\$ 7,363,050	\$ 7,363,050	\$ 7,372,106	\$ 9,056
Intergovernmental	6,115,796	6,115,796	6,433,372	317,576
Interest	2,000	2,000	879	(1,121)
Tuition and Fees	417,400	417,400	345,075	(72,325)
Rent	-	-	5,000	5,000
Extracurricular Activities	37,500	37,500	37,210	(290)
Customer Sales and Services	2,750	2,750	3,573	823
Miscellaneous	1,350	1,350	39,454	38,104
<i>Total Receipts</i>	<u>13,939,846</u>	<u>13,939,846</u>	<u>14,236,669</u>	<u>296,823</u>
<b>DISBURSEMENTS:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	7,037,005	7,037,005	7,028,710	8,295
Special	1,606,326	1,606,326	1,606,203	123
Vocational	76,840	76,840	76,282	558
Student Intervention Services	6,000	6,000	5,880	120
<b>Support Services:</b>				
Pupils	420,098	420,098	431,346	(11,248)
Instructional Staff	291,079	291,079	286,862	4,217
Board of Education	81,310	81,310	77,667	3,643
Administration	1,283,883	1,283,883	1,283,594	289
Fiscal	478,581	478,581	480,142	(1,561)
Operation and Maintenance of Plant	1,795,607	1,795,607	1,773,298	22,309
Pupil Transportation	758,629	758,629	746,672	11,957
Central	159,333	159,333	139,674	19,659
<b>Extracurricular Activities:</b>				
Academic Oriented Activities	68,195	68,195	67,028	1,167
Sport Oriented Activities	309,720	309,720	299,554	10,166
<b>Debt Service:</b>				
Principal	500,000	500,000	500,000	-
Interest	2,212	2,212	2,212	-
<i>Total Disbursements</i>	<u>14,874,818</u>	<u>14,874,818</u>	<u>14,805,124</u>	<u>69,694</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(934,972)</u>	<u>(934,972)</u>	<u>(568,455)</u>	<u>366,517</u>
<b>OTHER FINANCING SOURCES AND USES:</b>				
Transfers In	140,000	140,000	-	(140,000)
Tax Anticipation Notes Issued	499,750	499,750	499,750	-
Refund of Prior Year Expenditures	35,000	35,000	22,425	(12,575)
Transfers Out	(175,000)	(175,000)	(65,272)	109,728
Advances Out	(7,500)	(7,500)	(8,817)	(1,317)
<i>Total Other Financing Sources and Uses</i>	<u>492,250</u>	<u>492,250</u>	<u>448,086</u>	<u>(44,164)</u>
<i>Net Change in Fund Balances</i>	<u>(442,722)</u>	<u>(442,722)</u>	<u>(120,369)</u>	<u>322,353</u>
<i>Fund Balance (Deficit) at Beginning of Year</i>	398,911	398,911	398,911	-
<i>Prior Year Encumbrances Appropriated</i>	<u>198,294</u>	<u>198,294</u>	<u>198,294</u>	<u>-</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 154,483</u>	<u>\$ 154,483</u>	<u>\$ 476,836</u>	<u>\$ 322,353</u>

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

Lake Local School District  
Wood County

Statement of Fiduciary Net Position - Cash Basis  
Fiduciary Funds  
June 30, 2014

	Private Purpose Trust Fund	Agency Fund
<b>ASSETS:</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 737,464	\$ 41,984
<i>Total Assets</i>	\$ 737,464	\$ 41,984
 <b>NET POSITION:</b>		
Held for Student Activities	\$ -	\$ 41,984
Held in Trust for Scholarships	737,464	-
<i>Total Net Position</i>	\$ 737,464	\$ 41,984

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

Lake Local School District  
Wood County

Statement of Changes in Fiduciary Net Position - Cash Basis  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust Fund
ADDITIONS:	
Gifts and Contributions	\$ 200
Interest	<u>27,743</u>
<i>Total Additions</i>	27,943
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>27,350</u>
<i>Total Deductions</i>	<u>27,350</u>
<i>Change in Net Position</i>	593
<i>Net Position Beginning of Year</i>	<u>736,871</u>
<i>Net Position End of Year</i>	<u><u>\$ 737,464</u></u>

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

**LAKE LOCAL SCHOOL DISTRICT**  
**WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 1 - REPORTING ENTITY

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

The District is located in a rural community in Northwest Ohio. It is staffed by 42 non-certificated employees, 87 certificated teaching personnel and 13 administrative employees who provide services to 1,672 students and other community members.

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

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

The District is associated with eight organizations as follows: Northwest Ohio Computer Association, Northern Buckeye Education Council, Penta Career Center, Northwest Ohio Educational Council, and the Ohio Schools Council, which are defined as jointly governed organizations; the Ohio Association of School Business Officials Group Rating Program, Wood County Insurance Consortium, and Southwestern Ohio Educational Purchasing Council which are insurance purchasing pools. These organizations are presented in Notes 17 and 18 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 the cash basis of accounting. The 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 cash basis of accounting. Following are the more significant of the School District's accounting policies.



**LAKE LOCAL SCHOOL DISTRICT**  
**WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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 chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

As a result of the use of the 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 good and 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). The 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 and other funds being budgeted separately.

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

B. Basis Of Presentation

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

1. Government-Wide Financial Statements

The statement of net position 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 non-exchange transactions.

The statement of net position 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.

**LAKE LOCAL SCHOOL DISTRICT**  
**WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis Of Presentation (Continued)

1. Government-Wide Financial Statements (Continued)

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 the cash basis or draws from the School District's general receipts.

2. Fund Financial Statements

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

C. Fund Accounting

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

1. Governmental Funds

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

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**  
**WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

1. Governmental Funds (Continued)

Permanent Improvement Fund - The Permanent Improvement 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 energy conservation improvement bonds.

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

2. Fiduciary Fund Types

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.

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 expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

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

**LAKE LOCAL SCHOOL DISTRICT**  
**WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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 Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's 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 2014, the School District invested in nonnegotiable certificates of deposit, and STAR Ohio. Investments are reported at cost. 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, 2014.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$879.

**LAKE LOCAL SCHOOL DISTRICT**  
**WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and budget stabilization.

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 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 10 and 11 the employer contributions include portions for pension benefits and for post-retirement health benefits.

K. Long-Term Obligations

The School District's 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. A capital lease asset is not recognized in the financial statements upon entering into a capital lease as it is not the result of a cash transaction. Lease payments are reported when paid.

**LAKE LOCAL SCHOOL DISTRICT**  
**WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Net Position

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

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Non-Spendable - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education or approved by the Treasurer.

**LAKE LOCAL SCHOOL DISTRICT**  
**WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance (Continued)

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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 presented as advances.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Compliance

Ohio Administrative Code, Section 117-2-03(B), required 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 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 position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**LAKE LOCAL SCHOOL DISTRICT**  
**WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)

Compliance (Continued)

At June 30, 2014, there was a deficit in the special revenue funds listed below.

<u>Fund</u>	<u>Fund Description</u>	<u>Deficit Balance</u>
Special Revenue		
440	Entry Year Grant	\$25,278
572	Title 1 - FY 14	9,447
590	Title II-A - FY 14	1,115

The School District has a request for payment pending with the grant agencies to cover the amount of the deficit for these funds.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Expenditures, 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 budget basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a restricted, committed or assigned fund balance (cash basis).

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

	<u>Net Change in Fund Balance</u>
Budget basis	\$(120,369)
Funds budgeted elsewhere **	6,030
Adjustments for encumbrances	<u>335,540</u>
Cash basis	<u>\$ 221,201</u>

\*\*As part of Government Accounting Standards Board No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund. This includes the internal service uniform school supplies and public school support funds.

NOTE 5 - DEPOSITS AND INVESTMENTS

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



**LAKE LOCAL SCHOOL DISTRICT**  
**WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

1. United States treasury 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;
2. 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;
3. 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 that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

**LAKE LOCAL SCHOOL DISTRICT**  
**WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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 \$311 in un-deposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

At June 30, 2014, the carrying amount of the School District's deposits was \$1,191,461. The School District's bank balance of \$1,410,329 was not exposed to custodial risk.

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Investments - As of June 30, 2014, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
STAR Ohio	<u>\$1,661,392</u>	Less than 90 days
Total Investments	<u>\$1,661,392</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.

**LAKE LOCAL SCHOOL DISTRICT**  
**WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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

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

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, 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 property located in the School District.

Real property tax receipts received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after October 1, 2013 on the assessed values as of January 1, 2013, 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 2014 represent the collection of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after October 1, 2013 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.

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.

**LAKE LOCAL SCHOOL DISTRICT**  
**WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 6 - PROPERTY TAXES (Continued)

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, 2014 are available to finance fiscal year 2015 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 2014 taxes were collected are:

	<u>2013 Second-Half</u>		<u>2014 First-Half</u>	
	<u>Collections</u>		<u>Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Property	\$205,248,820	94.25%	\$210,328,910	93.60%
Public Utility	<u>12,532,940</u>	<u>5.75</u>	<u>14,388,540</u>	<u>6.40</u>
Total Assessed Value	<u>\$217,781,760</u>	<u>100.00%</u>	<u>\$224,717,450</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$66.79		\$66.64	

NOTE 7 - INTERFUND TRANSFERS / ADVANCES

During the year ended June 30, 2014 the District transferred \$60,062 from the General Fund, a Major Governmental Fund, to the following Non-major Governmental Funds:

Gifted Identification Grant	\$ 1,708
Gifted 10	2,736
Title 1	<u>55,618</u>
Total	<u>\$60,062</u>

During the year ended June 30, 2014, the District advanced \$8,817 from the General Fund, a Major Governmental Fund, to the following Non-major Governmental funds:

Lunch Room	\$1,866
Scholarship student activities	<u>6,951</u>
Total	<u>\$8,817</u>

NOTE 8 - PAYMENT IN LIEU OF TAXES

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

**LAKE LOCAL SCHOOL DISTRICT**  
**WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 9 - RISK MANAGEMENT

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

Property Damage	\$350,000,000
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 2013, 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 10 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

**LAKE LOCAL SCHOOL DISTRICT**  
**WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

A. State Teachers Retirement System (Continued)

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members transfer to the DB Plan during their fifth year of membership. Eligible members who do not make a choice during the re-selection period will permanently remain in their current plan.

DB Plan Benefits - Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits - Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**LAKE LOCAL SCHOOL DISTRICT**  
**WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

A. State Teachers Retirement System (Continued)

Combined Plan Benefits - Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for re-employment as a teacher following the lapse of two months from the date of retirement. Contributions are made by the re-employed member and employer during the re-employment. Upon termination of re-employment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A re-employed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy - For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for the School District's member and employer contributions.

**LAKE LOCAL SCHOOL DISTRICT**  
**WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

A. State Teachers Retirement System (Continued)

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012, were \$712,527, \$699,508, and \$782,914 respectively; 88 percent has been contributed for fiscal year 2014, and 100 percent for fiscal years 2013 and 2012.

B. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS website at [www.ohsers.org](http://www.ohsers.org) under Employee/Audit Resources.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.10%. The remaining .90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 was \$181,857, \$182,289, and \$225,410, respectively; 88 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2014, five members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.



**LAKE LOCAL SCHOOL DISTRICT**  
**WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

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 fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contribution for health care for the fiscal years ended June 30, 2014, 2013, and 2012 was \$54,810, \$53,808, and \$60,224 respectively; 88 percent has been contributed for fiscal year 2014, and 100 percent for fiscal years 2013 and 2012.

B. School Employees Retirement System

Postemployment Benefits - In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan - The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$10,591, \$10,337 and \$13,364 respectively; 88 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**LAKE LOCAL SCHOOL DISTRICT**  
**WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

B. School Employees Retirement System (Continued)

Health Care Plan - ORC 309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPO's Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is .14%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions for health care for the years ended June 30, 2014, 2013 and 2012 were \$1,951, \$2,235 and \$9,800 respectively; 88 percent has been contributed for fiscal year 2014, and 100 percent for fiscal years 2013 and 2012.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**LAKE LOCAL SCHOOL DISTRICT**  
**WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 12 - LEASES

The School District leases copiers from Office Products, Inc. The School District disbursed \$24,164 to pay lease costs for the copiers during the year ended June 30, 2014.

<u>Year Ending</u> <u>June 30,</u>	<u>Copier Lease</u> <u>Amount</u>
2015	\$24,164
2016	24,164
2017	<u>4,027</u>
Total	<u>\$52,355</u>

NOTE 13 - SHORT TERM OBLIGATIONS

During fiscal year 2014, the District obtained a \$500,000 loan from the State Bank and Trust Company to provide funds for current expenses. The note had an interest rate of 3.25%.

Changes in the District's short-term obligations during the fiscal year were as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
<u>Government Activities</u>				
Current Promissory Note	\$ -	\$500,000	\$500,000	\$ -

**LAKE LOCAL SCHOOL DISTRICT**  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 14 - LONG TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2014 were as follows:

	Principal Outstanding 6/30/13	Additions	Deductions	Principal Outstanding 6/30/14	Amounts Due in One Year
General Obligation Bonds:					
Middle School Bonds					
Interest Rate 4.2% - 5.2%	\$ 375,000	\$ -	\$ -	\$ 375,000	\$ -
Capital Appreciation Bonds	213,409	-	213,409	-	-
Accretion on Capital Appreciation Bonds	366,512	15,079	381,591	-	-
2007 Refunding					
Serial Bonds 4.0%	6,395,000	-	180,000	6,215,000	-
Term Bonds 4.0%	1,185,000	-	-	1,185,000	-
Capital Appreciation Bonds	574,990	-	-	574,990	259,935
Accretion on Capital Appreciation Bonds	823,633	210,149	-	1,033,782	520,065
Energy Conservation Improvement Bonds					
Interest Rate - 4.125%	468,249	-	86,168	382,081	89,759
 Total General Long Term Obligations	 <u>\$10,401,793</u>	 <u>\$225,228</u>	 <u>\$861,168</u>	 <u>\$ 9,765,853</u>	 <u>\$869,759</u>

FY 2001 School Improvement Bonds - on May 1, 2001 the District issued \$14,799,995 in voted general obligation bonds for construction and renovation 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 \$5,660,005 in bonds will be fully retired on December 1, 2015.

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 construction 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.

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.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 14 - LONG TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire obligation bonds outstanding at June 30, 2014, were as follows:

Middle School Renovation General Obligation Bonds - 2001

Fiscal Year Ending June 30,	Serial Bond Principal	Serial Bond Interest	Total
2015	\$ -	\$19,500	\$ 19,500
2016	<u>375,000</u>	<u>9,750</u>	<u>384,750</u>
Total	<u>\$375,000</u>	<u>\$29,250</u>	<u>\$404,250</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
2015	\$ -	\$ 248,600	\$ -	\$ 47,400	\$259,935	\$ 520,065	\$ 1,076,000
2016	-	248,600	-	47,400	117,337	287,663	701,000
2017	-	248,600	-	47,400	197,718	587,282	1,081,000
2018	785,000	232,900	-	47,400	-	-	1,065,300
2019	820,000	200,800	-	47,400	-	-	1,068,200
2020-2024	4,610,000	475,800	-	237,000	-	-	5,322,800
2025-2026	<u>-</u>	<u>-</u>	<u>1,185,000</u>	<u>29,900</u>	<u>-</u>	<u>-</u>	<u>1,214,900</u>
Total	<u>\$6,215,000</u>	<u>\$1,655,300</u>	<u>\$1,185,000</u>	<u>\$503,900</u>	<u>\$574,990</u>	<u>\$1,395,010</u>	<u>\$11,529,200</u>

The annual requirements to amortize energy conservation note outstanding as of June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 89,759	\$14,854	\$104,613
2016	93,472	11,141	104,613
2017	97,396	7,217	104,613
2018	<u>101,454</u>	<u>3,159</u>	<u>104,613</u>
Total	<u>\$382,081</u>	<u>\$36,371</u>	<u>\$418,452</u>

**LAKE LOCAL SCHOOL DISTRICT**  
**WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 15 - FUND BALANCES

Fund balance is classified as non-spendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	<u>General</u>	Bond Retirement <u>Fund</u>	Permanent Improvement <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<u>FUND BALANCE</u>					
<u>Non-spendable</u>					
Scholarship	\$ -	\$ -	\$ -	\$ 3,800	\$ 3,800
<u>Restricted for:</u>					
Athletics / Music	-	-	-	161,185	161,185
Education Management Information System	-	-	-	3,809	3,809
Various Education Purposes	-	-	-	56,924	56,924
Debt Service	-	677,222	-	-	677,222
Budget Stabilization	22,919	-	-	-	22,919
Bus purchases	78,837	-	-	-	78,837
Capital Improvements	-	-	251,529	82,929	334,458
<u>Total Restricted</u>	<u>101,756</u>	<u>677,222</u>	<u>251,529</u>	<u>304,847</u>	<u>1,335,354</u>
<u>Assigned for:</u>					
Educational Activities	59,564	-	-	-	59,564
Unpaid Obligations	343,749	-	-	-	343,749
<u>Total Assigned for:</u>	<u>403,313</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>403,313</u>
<u>Unassigned</u>	<u>366,879</u>	<u>-</u>	<u>-</u>	<u>(35,630)</u>	<u>331,249</u>
<u>TOTAL FUND BALANCE</u>	<u>\$ 871,948</u>	<u>\$ 677,222</u>	<u>\$ 251,529</u>	<u>\$ 273,017</u>	<u>\$ 2,073,716</u>

**LAKE LOCAL SCHOOL DISTRICT**  
**WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 16 - SET ASIDE REQUIRMENTS

The District is required by state statute to annually set aside in the general fund an amount based on a statutory formula for the purpose of the acquisition and construction of capital improvements. Amounts not spent by year-end by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purpose in future years. The following cash basis information identifies the changes in the fund balance reserves for capital improvements and budget stabilization during fiscal year 2014.

	<u>Capital Improvements</u>	<u>Budget Stabilization Reserve</u>
Balance July 1, 2013	\$ -	\$ 22,919
Required Set-Aside	279,751	-
Qualifying Cash Disbursements	<u>(279,751)</u>	<u>-</u>
Totals	<u>\$ -</u>	<u>\$ 22,919</u>
Amount carried forward to Future Fiscal Years	<u>\$ -</u>	<u>\$ 22,919</u>
Set Aside Reserve Balance - June 30, 2014	<u>\$ -</u>	<u>\$ 22,919</u>

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, 2014.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Computer Association

The School District is a participant in the Northwest Ohio Computer Association (NWOCA) which is a computer consortium. NWOCA is an association of education entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood counties in northwestern Ohio. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Financial information can be obtained from the Northwest Ohio Computer Association, 209 Nolan Parkway, Archbold, Ohio 43502.

**LAKE LOCAL SCHOOL DISTRICT**  
**WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 \$126,495. These payments include services for NWOCA. Financial information can be obtained from the Northern Buckeye Educational Council, 209 Nolan Parkway, Archbold, Ohio 43502.

Penta Career Center

The Penta Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a Board consisting of eleven members from the participating School Districts' elected Boards. Board members are appointed for a term of two years to serve the sixteen participating school districts. Six members are appointed during the even number years, one each from the Lucas, Ottawa, and Wood County Educational Service Centers, one each from the Bowling Green and Maumee City School Districts, and one from the Rossford Exempted Village School District. Five members are appointed during the odd number years, one each from the Fulton, Lucas, Sandusky, and Wood County Educational Service Centers and one from the Perrysburg Exempted Village School District. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from Penta Career Center, 9301 Buck Road, Perrysburg, Ohio 43551.

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.



**LAKE LOCAL SCHOOL DISTRICT**  
**WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 18 - INSURANCE PURCHASING POOL

Ohio Association of School Business Officials Group Rating Program

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

Wood County Insurance Consortium

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

Southwestern Ohio Educational Purchasing Council

The District participates in the Southwestern Ohio Educational Purchasing Council, 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 Southwestern Ohio Educational Purchasing Council, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377-1171.

**LAKE LOCAL SCHOOL DISTRICT**  
**WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 19 - CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2014.

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.

**Lake Local School District**  
**Wood County**  
Schedule of Federal Awards Receipts and Expenditures  
For the Year Ending June 30, 2014

Federal Grantor/Pass Through Grantor Number/Program Title	CFDA Number	Federal Receipts	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>			
<i>Nutrition Cluster:</i>			
<i>Passed through Ohio Department of Education:</i>			
<i>Cash Assistance:</i>			
National School Lunch Program:	10.555	\$ 193,676	\$ 193,676
School Breakfast Program	10.553	40,872	40,872
<i>Direct Program:</i>			
<i>Non-Cash Assistance:</i>			
National School Lunch Program (Commodities)	10.555	26,073	26,073
Total Nutrition Cluster		<u>260,621</u>	<u>260,621</u>
 <i>Passed through Ohio Department of Education:</i>			
State Administrative Expenses for Child Nutrition	10.560	5,896	5,896
<b>Total U.S. Department of Agriculture</b>		<b>266,517</b>	<b>266,517</b>
 <b><u>U.S. Department of Education</u></b>			
<i>Passed through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	217,479	253,226
IDEA - B	84.027	294,680	294,680
Title II-A, Improv. Teacher Quality	84.367	51,857	42,213
<b>Total U.S. Department of Education</b>		<b>564,016</b>	<b>590,119</b>
<b>Total Federal Awards Receipts and Expenditures</b>		<b>\$ 830,533</b>	<b>\$ 856,636</b>

See accompanying Notes to the Schedule of Federal Awards Receipts and Expenditures

**LAKE LOCAL SCHOOL DISTRICT**  
**Wood County**  
**Notes to the Schedule of Federal Awards Expenditures**  
**For the Year Ended June 30, 2014**

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

2. Food Distribution

Nonmonetary assistance is reported in the schedule at the USDA value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2014, the District had food commodities in inventory recorded in the Food Service Fund.

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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**INDEPENDENT AUDITORS' 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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lake Local School District, Wood County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 26, 2014, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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, opining 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2014-01.


We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 26, 2014.

***District's Response to Finding***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



***Charles E. Harris & Associates, Inc.***

November 26, 2014

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***Charles E. Harris & Associates, Inc.***

*Certified Public Accountants*

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO THE 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

To the Board of Education:

***Report on Compliance for the Major Federal Program***

We have audited the Lake Local School District's (the District) compliance with the applicable 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 Lake Local School District's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

***Management's Responsibility***

The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on the Major Federal Program***

In our opinion, the Lake Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

***Report on Internal Control Over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



***Charles E. Harris & Associates, Inc.***  
November 26, 2014



**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 SECTION .505**

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY  
June 30, 2014**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unmodified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	Yes
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	CFDA # 84.027 Special Education IDEA VI-B
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

**SCHEDULE OF FINDINGS - (continued)**  
**OMB CIRCULAR A-133 SECTION .505**

**Lake Local School District**  
**Wood County**  
**June 30, 2014**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

**FINDING NUMBER 2014-01 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 on a 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 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, 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.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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None.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY  
JUNE 30, 2014**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2013 - 01	Noncompliance - Ohio Revised Code § 117.38 – Financial report not in accordance to GAAP	No	Repeated as Finding 2014-01

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# 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  
APRIL 9, 2015**