



Mary Taylor, CPA
Auditor of State

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	10
Statement of Activities.....	11
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund	16
Statement of Fiduciary Net Assets - Fiduciary Funds.....	17
Statement of Changes in Fiduciary Net Assets - Fiduciary Fund	18
Notes to the Basic Financial Statements	19
Federal Awards Expenditures Schedule.....	43
Notes to the Federal Awards Expenditures Schedule	44
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	45
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	47
Schedule of Findings.....	49

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Local School District, Wood County, Ohio (the School District), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Local School District, Wood County, Ohio, as of June 30, 2007, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2008, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 21, 2008

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

The discussion and analysis of Lake Local School District's (the School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. 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 2007 are as follows:

- Net assets of governmental activities increased by \$1,272,878, which represents a 28.6% increase from fiscal year 2006.
- The School District refinanced the 2001 School Improvement bond issue by issuing \$9,139,990 in new bonds at a lower interest rate. This will result in a total savings of \$1,034,091.
- General revenues accounted for \$14,959,818 in revenue or 87% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$2,225,905 or 13% of total revenues of \$17,185,723.
- Total assets of governmental activities increased by \$2,288,661. Some of the change was due to taxes receivable increasing by \$1,713,872, cash and other receivables increasing by \$1,029,091 and net depreciable capital assets decreasing by \$580,974.
- The District had \$15,912,845 in expenses related to governmental activities; only \$2,225,905 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$14,959,818 were also used to provide for these programs.
- All governmental funds had total revenues and other financing sources of \$27,339,842 and expenditures and other financing uses of \$25,564,230. The net change in fund balance increased \$1,775,612, or 6.9% for the year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Lake Local School District's financial position.

The statement of net assets and the statement of activities provide information about the activities of the School District as a whole, presenting both an aggregate and a longer-term view of the School District.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short term and what remains for future spending. Fund financial statements report the School District's most significant funds individually and the School District's non-major funds in a single column. The School District's major funds are the General Fund, and the Bond Retirement Debt Service Fund.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

REPORTING THE SCHOOL DISTRICT AS A WHOLE

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2007. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year.

Over time, these increases and/or decreases are an indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors can include changes in the School District's property tax base and the condition of the School District's capital assets. These factors must be considered when assessing the overall health of the School District.

In the statement of net assets and the statement of activities, the School District has the following activity:

Governmental Activities - Most of the School District's programs and services are reported here, including instruction, support services, non-instructional services, and extracurricular activities expenditures. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds. The School District's major governmental funds are the General Fund, and the Bond Retirement Debt Service Fund. While the School District uses many funds to account for its financial transactions, these are the most significant.

Governmental Funds - The School District's governmental funds are used to account for the same programs reported as governmental activities on the government-wide financial statements. The School District's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at fiscal year end. These funds are reported using the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund financial statements provide a detailed short-term view of the School District's operations.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School District's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

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. These funds use the accrual basis of accounting.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the School District's net assets for fiscal year 2007 compared to fiscal year 2006.

TABLE 1
Net Assets (In Thousands)

	<u>Governmental Activities</u>	
	<u>2007</u>	Restated <u>2006</u>
<u>Assets</u>		
Current and Other Assets	\$14,161	\$11,291
Capital Assets, Net	<u>16,287</u>	<u>16,868</u>
<u>Total Assets</u>	<u>\$30,448</u>	<u>\$28,159</u>
<u>Liabilities</u>		
Current and Other Liabilities	\$ 9,219	\$ 8,252
Long-Term Liabilities	<u>15,506</u>	<u>15,457</u>
<u>Total Liabilities</u>	<u>\$24,725</u>	<u>\$23,709</u>
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	\$ 1,830	\$ 2,465
Restricted	2,417	1,849
Unrestricted	<u>1,476</u>	<u>136</u>
<u>Total Net Assets</u>	<u>\$ 5,723</u>	<u>\$ 4,450</u>

Current and other assets increased 25.4 percent. The majority of this increase was in cash and taxes receivable. Overall total assets increased 8.1 percent.

Current and other liabilities increased 11.7 percent. The majority of this increase was in accounts payable and deferred revenue. Long-term liabilities increased by .3 percent due to accretion on capital appreciation bonds and amortization of bond premiums. Overall total liabilities increased by 4.3 percent.

Invested in Capital Assets, net of related debt decreased by 25.8 percent. The decrease was due to depreciation of Capital assets, accretion on bonds and amortization of bond premiums. Restricted net assets increased by 35.5 percent due to more money being restricted for set asides. Unrestricted net assets increased by 920.6 percent due to operations.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Table 2 reflects the changes in net assets for fiscal years 2007 and 2006.

TABLE 2
Change in Net Assets (In Thousands)

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>Restated 2006</u>
<u>Revenues</u>		
Program Revenues		
Charges for services	\$ 1,082	\$ 1,137
Operating grants and contributions	1,126	1,067
Capital grants and contributions	<u>18</u>	<u>10</u>
Total Program Revenues	<u>2,226</u>	<u>2,214</u>
General Revenues		
Property taxes	9,032	7,235
Payment in lieu of taxes	46	46
Grants and entitlements not restricted to specific programs	5,632	5,156
Interest	247	147
Miscellaneous	<u>3</u>	<u>17</u>
Total General Revenues	<u>14,960</u>	<u>12,601</u>
<u>Total Revenues</u>	<u>17,186</u>	<u>14,815</u>
<u>Expenses</u>		
Instruction	8,436	8,170
Support Services	600	567
Pupils	488	381
Instructional staff	79	111
Board of Education	1,006	880
Administration	432	410
Fiscal	1,513	1,088
Operation and maintenance of plant	765	671
Pupil transportation	125	132
Central	150	137
Non-Instructional Services	654	510
Extracurricular Activities	1,207	700
Interest and Fiscal Changes	<u>458</u>	<u>430</u>
Food Service		
<u>Total Expenses</u>	<u>15,913</u>	<u>14,187</u>
<u>Increase in Net Assets</u>	1,273	628
<u>Restated Net Assets – July 1</u>	<u>4,450</u>	<u>3,822</u>
<u>Net Assets – June 30</u>	<u>\$ 5,723</u>	<u>\$ 4,450</u>

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

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. Table 3, for governmental activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by tax revenues and unrestricted state entitlements.

TABLE 3
Governmental Activities (In Thousands)

	<u>2007</u>		<u>Restated</u> <u>2006</u>	
	<u>Total</u> <u>Cost of</u> <u>Services</u>	<u>Net</u> <u>Cost of</u> <u>Services</u>	<u>Total</u> <u>Cost of</u> <u>Services</u>	<u>Net</u> <u>Cost of</u> <u>Services</u>
Instruction	\$ 8,436	\$ 7,248	\$ 8,170	\$ 7,027
Support Services:				
Pupils and instructional staff	1,088	1,022	948	879
Board of Education, Administration and Fiscal	1,517	1,513	1,401	1,401
Operation and maintenance of plant	1,513	1,501	1,088	1,076
Pupil transportation	765	747	671	661
Central	125	(10)	132	(2)
Non-Instructional Services	150	150	137	137
Food Service Operations	458	(20)	430	(27)
Extracurricular Activities	654	329	510	122
Interest and Fiscal Charges	<u>1,207</u>	<u>1,207</u>	<u>700</u>	<u>700</u>
Total Expenses	<u>\$15,913</u>	<u>\$13,687</u>	<u>\$14,187</u>	<u>\$11,974</u>

The School District is dependent upon tax revenues for governmental activities. Over 85.9 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 86.0 percent. The community, as a whole, is the primary support for Lake Local School District students.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$27,339,842 and expenditures and other financing uses of \$25,564,230. This resulted in a positive change in fund balance of \$1,775,612 for the fiscal year.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

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 ordinance which is effective the first day of July. The School District's most significant budgeted fund is the General Fund. During the course of fiscal year 2007, the School District amended its General Fund budget as needed.

For the General Fund, final budgeted revenues and expenditures did not change significantly from the School District's original estimates and actual revenues and expenditures were not significantly different from the final budget amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The decrease in capital assets for governmental activities is the result of depreciation on the capital assets being greater than capital asset additions. Note 8 provides additional details regarding capital assets.

Debt

The School District has two school improvement bonds that will be fully paid in 2010 and 2026.

In addition to the debt noted above, the School District's long term debt also includes compensated absences. Note 15 provides additional details regarding debt.

Economic Outlook

Externally, the Ohio Supreme Court found the State of Ohio in March 1997, to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes which are inherently not "equitable" nor "adequate." The Court directed the Governor and the legislature to address the fundamental issues creating the inequities. In 2001, the Ohio legislature crafted a school-funding program to address the Court's concerns.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years. Financially, the future of the District is not without challenges. Management must diligently plan future expenditures.

Lake Local Schools was selected by the Governor's Blue Ribbon Task Force on Financing Student Success to be a part of the initiative to identify Best Practices that could be shared with school districts across Ohio. Lake was selected for this Performance Audit review for its very low per pupil expenditures (ranked 585 out of 613 districts) and high level of student achievement. (Effective rating on the Ohio School Report Card)

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

The six month Auditor of State study analyzed all operational areas including: Financial Systems, Human Resources, Facilities, Transportation, Food Service, and Technology. These areas were then compared to the nine other Blue Ribbon panel selected schools. The final report, which was presented by representatives of the Auditor of State's office at the recent September, 2007 Board meeting, was complimentary of Lake Schools, noting that strong financial management helped the district navigate through tough times while still maintaining high achievement scores. Throughout the report, it was highlighted that administrators often found creative, low cost solutions to solve problems. It was best summed up by saying that many of our practices are exemplary, citing our recent FY 2008 school bus lease purchase program as an innovative, cost effective way to modernize an aging bus fleet. In fact, the AOS's office now recommends this option to other school districts in similar situations.

All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

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 Assets
June 30, 2007**

	Governmental Activities
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$2,897,745
Investments	1,522,538
Inventory Held for Resale	4,709
Accrued Interest Receivable	19,007
Accounts Receivable	331
Intergovernmental Receivable	39,066
Prepaid Items	28,623
Taxes Receivable	9,478,673
Noncurrent Assets:	
Unamortized Bond Issuance Cost	169,362
Non-Depreciable Capital Assets	991,341
Depreciable Capital Assets, net	15,296,142
<i>Total Assets</i>	30,447,537
LIABILITIES:	
Current Liabilities:	
Accounts Payable	210,795
Accrued Wages and Benefits	887,898
Intergovernmental Payable	295,904
Accrued Interest Payable	41,114
Deferred Revenue	7,783,187
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	1,063,437
Due in More Than One Year	14,442,449
<i>Total Liabilities</i>	24,724,784
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	1,829,647
Restricted for Debt Service	1,127,339
Restricted for Capital Outlay	746,863
Restricted for Other Purposes	162,713
Restricted for Set Asides	379,767
Unrestricted	1,476,424
<i>Total Net Assets</i>	\$5,722,753

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2007**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
				Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$6,585,255	\$459,168	\$190,526	(\$5,935,561)
Special	1,624,978		524,744	(1,100,234)
Vocational	225,170		13,508	(211,662)
Support Services:				
Pupils	600,400		4,000	(596,400)
Instructional Staff	487,734		61,921	(425,813)
Board of Education	79,226			(79,226)
Administration	1,006,394		4,657	(1,001,737)
Fiscal	431,934			(431,934)
Operation and Maintenance of Plant	1,512,850		12,000	(1,500,850)
Pupil Transportation	764,647			(746,728)
Central	124,963		134,835	9,872
Operation of Non-Instructional Services	149,921			(149,921)
Operation of Non-Instructional Services:				
Food Service Operations	457,915	298,216	179,630	19,931
Extracurricular Activities	653,987	324,781		(329,206)
Interest and Fiscal Charges	1,207,471			(1,207,471)
Total Governmental Activities	\$15,912,845	\$1,082,165	\$1,125,821	\$17,919
				(\$13,686,940)
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				7,290,558
Property Taxes, Levied for Capital Outlay				306,229
Property Taxes, Levied for Debt Service				1,434,723
Grants and Entitlements not Restricted to Specific Programs				5,632,106
Investment Earnings				246,984
Payments in Lieu of Taxes				46,000
Miscellaneous				3,218
Total General Revenues and Transfers				14,959,818
Change in Net Assets				1,272,878
Net Assets Beginning of Year - Restated				4,449,875
Net Assets End of Year				\$5,722,753

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**Balance Sheet - Governmental Funds
June 30, 2007**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	\$711,788	\$717,340	\$1,088,850	\$2,517,978
Investments	1,522,538			1,522,538
Inventory Held for Resale			4,709	4,709
Accrued Interest Receivable	19,007			19,007
Accounts Receivable			331	331
Due From Other Funds	56,987			56,987
Intergovernmental Receivable			39,066	39,066
Prepaid Items	28,623			28,623
Taxes Receivable	7,745,755	1,434,969	297,949	9,478,673
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	379,767			379,767
<i>Total Assets</i>	<u>\$ 10,464,465</u>	<u>\$ 2,152,309</u>	<u>\$ 1,430,905</u>	<u>\$ 14,047,679</u>
LIABILITIES:				
Accounts Payable	60,448		150,347	210,795
Accrued Wages and Benefits	830,462		57,436	887,898
Due to Other Funds			56,987	56,987
Intergovernmental Payable	279,939		15,965	295,904
Deferred Revenue	6,535,584	1,180,041	247,463	7,963,088
<i>Total Liabilities</i>	<u>7,706,433</u>	<u>1,180,041</u>	<u>528,198</u>	<u>9,414,672</u>
Equity:				
FUND BALANCES:				
Reserved:				
Reserved for Encumbrances	285,255		107,861	393,116
Reserved for Inventory			4,709	4,709
Reserved for Prepaid Items	28,623			28,623
Reserved for Property Taxes	1,210,171	254,928	50,486	1,515,585
Reserved for Textbooks and Instructional Materials	342,613			342,613
Reserved for Budget Stabilization	37,154			37,154
Unreserved, Undesignated, Reported in:				
General Fund	854,216			854,216
Special Revenue Funds			101,946	101,946
Debt Service Funds		717,340		717,340
Capital Projects Funds			637,705	637,705
<i>Total Fund Balances</i>	<u>2,758,032</u>	<u>972,268</u>	<u>902,707</u>	<u>4,633,007</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$10,464,465</u>	<u>\$2,152,309</u>	<u>\$1,430,905</u>	<u>\$14,047,679</u>

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**Reconciliation of Total Governmental Fund Balances
To Net Assets of Governmental Activities
June 30, 2007**

Total Governmental Fund Balances	\$4,633,007
<i>Amounts reported for governmental activities on the statement of net assets are different because of the following:</i>	
Capital assets are used in governmental activities are not financial resources and, therefore, not reported in the funds:	16,287,483
Other assets are not available to pay for current period expenditures and therefore are deferred in the funds:	179,901
Unamortized issuance costs are reported as deferred charges on the Statement of Net Assets but as an expenditure on the fund financial statements which do not provide current financial resources and, therefore, are not reported in the funds:	169,362
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:	<u>(15,547,000)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$5,722,753</u></u>

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007**

	<u>General</u>	<u>Bond Retirement</u>	<u>All Other Governmental</u>	<u>Total Governmental Funds</u>
REVENUES:				
Property and Other Local Taxes	\$7,362,248	\$1,441,705	\$309,029	\$9,112,982
Intergovernmental	5,398,111	207,638	1,170,097	6,775,846
Interest	233,016		13,968	246,984
Tuition and Fees	348,012		56,073	404,085
Rent	7,684			7,684
Extracurricular Activities	99,302		249,165	348,467
Gifts and Donations			17,250	17,250
Customer Sales and Services	2,825		301,854	304,679
Payments in Lieu of Taxes			46,000	46,000
Miscellaneous	1,161		2,057	3,218
<i>Total Revenues</i>	<u>\$13,452,359</u>	<u>\$1,649,343</u>	<u>\$2,165,493</u>	<u>\$17,267,195</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	\$5,645,356		\$372,811	\$6,018,167
Special	1,011,450		613,147	1,624,597
Vocational	225,414			225,414
Support Services:				
Pupils	589,118		15,856	604,974
Instructional Staff	387,341		81,558	468,899
Board of Education	79,226			79,226
Administration	994,367		7,742	1,002,109
Fiscal	421,762	18,418	4,239	444,419
Operation and Maintenance of Plant	1,326,917		209,948	1,536,865
Pupil Transportation	722,356			722,356
Central	119,617		547	120,164
Operation of Non-Instructional Services			138,030	138,030
Operation of Non-Instructional Services:				
Food Service Operations			465,013	465,013
Extracurricular Activities	361,678		235,210	596,888
Capital Outlay			149,292	149,292
Debt Service:				
Principal	39,487	730,000		769,487
Interest		525,683		525,683
Issuance Costs		142,336		142,336
<i>Total Expenditures</i>	<u>11,924,089</u>	<u>1,416,437</u>	<u>2,293,393</u>	<u>15,633,919</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,528,270</u>	<u>232,906</u>	<u>(127,900)</u>	<u>1,633,276</u>
OTHER FINANCING SOURCES AND USES:				
Transfers In			138,546	138,546
Refunding Bonds Issued		9,139,990		9,139,990
Premium on Refunding Bonds Issued		794,111		794,111
Transfers Out	(60,287)		(78,259)	(138,546)
Payment to Refunded Bond Escrow Agent		(9,791,765)		(9,791,765)
<i>Total Other Financing Sources and Uses</i>	<u>(60,287)</u>	<u>142,336</u>	<u>60,287</u>	<u>142,336</u>
<i>Net Change in Fund Balances</i>	1,467,983	375,242	(67,613)	1,775,612
<i>Fund Balance at Beginning of Year</i>	<u>1,290,049</u>	<u>597,026</u>	<u>970,320</u>	<u>2,857,395</u>
<i>Fund Balance at End of Year</i>	<u>\$2,758,032</u>	<u>\$972,268</u>	<u>\$902,707</u>	<u>\$4,633,007</u>

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the year ended June 30, 2007**

Net Change in Fund Balances - Total Governmental Funds	\$1,775,612
Amounts reported for governmental activities in the statement of activities are different because of the following:	
Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year:	
	(580,974)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:	(81,472)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of activities:	9,909,485
Debt proceeds, discounts, and premiums are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of net assets:	(9,934,101)
Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. The amortization of premiums and discounts is reported on the statement of activities.	(16,263)
Issuance costs are reported as an expenditure when paid in the governmental funds, but are deferred and amortized on the statement of activities:	128,575
Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:	<u>72,016</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$1,272,878</u></u>

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Property and Other Local Taxes	\$6,568,034	\$6,600,572	\$6,496,737	(\$103,835)
Intergovernmental	5,372,514	5,389,309	5,398,611	9,302
Interest	125,800	182,329	218,585	36,256
Tuition and Fees	130,750	237,559	349,389	111,830
Rent	6,000	6,000	7,684	1,684
Extracurricular Activities	93,700	94,630	99,317	4,687
Customer Sales and Services	2,500	2,625	2,825	200
Miscellaneous	1,250	1,250	1,158	(92)
Total Revenues	12,300,548	12,514,274	12,574,306	60,032
EXPENDITURES:				
Current:				
Instruction:				
Regular	5,535,956	5,535,956	5,750,554	(214,598)
Special	1,043,627	1,043,627	1,059,276	(15,649)
Vocational	248,517	248,517	235,811	12,706
Support Services:				
Pupils	591,179	591,179	585,914	5,265
Instructional Staff	467,536	467,536	385,110	82,426
Board of Education	107,988	107,988	94,269	13,719
Administration	1,022,896	1,022,896	1,024,541	(1,645)
Fiscal	423,270	423,270	399,045	24,225
Operation and Maintenance of Plant	1,426,956	1,426,956	1,386,566	40,390
Pupil Transportation	737,011	737,011	728,977	8,034
Central	170,524	170,524	140,967	29,557
Extracurricular Activities:				
Academic Oriented Activities	58,700	58,700	64,994	(6,294)
Sport Oriented Activities	246,372	246,372	253,000	(6,628)
Total Expenditures	12,080,532	12,080,532	12,109,024	(28,492)
Excess of Revenues Over Expenditures	220,016	433,742	465,282	31,540
OTHER FINANCING SOURCES AND USES:				
Advances In			23	23
Refund of Prior Year Expenditures			52,143	52,143
Transfers Out			(60,287)	(60,287)
Advances Out	(280,000)	(280,000)	(57,010)	222,990
Refund of Prior Year Receipts			(500)	(500)
Total Other Financing Sources and Uses	(280,000)	(280,000)	(65,631)	214,369
Net Change in Fund Balances	(59,984)	153,742	399,651	245,909
Fund Balance (Deficit) at Beginning of Year	1,735,150	1,735,150	1,735,150	
Prior Year Encumbrances Appropriated	156,873	156,873	156,873	
Fund Balance (Deficit) at End of Year	\$1,832,039	\$2,045,765	\$2,291,674	\$245,909

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007**

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
ASSETS:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$756,646	\$32,846
Accounts Receivable		<u>38</u>
Total Assets	<u><u>756,646</u></u>	<u><u>32,884</u></u>
 LIABILITIES:		
Current Liabilities:		
Due to Students		<u>32,884</u>
Total Liabilities		<u><u>\$32,884</u></u>
 NET ASSETS:		
Held in Trust for Scholarships	<u>756,646</u>	
Total Net Assets	<u><u>\$756,646</u></u>	

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2007**

	<u>Private Purpose Trust Fund</u>
ADDITIONS:	
Gifts and Contributions	\$450
Interest	<u>38,861</u>
Total Additions	<u>39,311</u>
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>25,080</u>
Total Deductions	<u>25,080</u>
Change in Net Assets	14,231
Net Assets at Beginning of Year	<u>742,415</u>
Net Assets at End of Year	<u><u>\$756,646</u></u>

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The District is located in a rural community in Northwest Ohio. It is staffed by 64 non-certificated employees, 98 certificated full-time teaching personnel who provide services to 1,579 students and other community members.

Reporting Entity

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

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

The School District is associated with five organizations as follows: Northwest Ohio Computer Association, Northern Buckeye Education Council, and Penta Career Center, which are defined as jointly governed organizations; and the Ohio Association of School Business Officials Group Rating Program and the Wood County Insurance Consortium, which are insurance purchasing pools. These organizations are presented in Notes 17 and 18 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Lake Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Lake Local School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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 Debt Service Fund - The Bond Retirement Debt Service 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 and energy conservation note.

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

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School Districts fiduciary funds include private purpose trust funds and agency funds. The private purpose trust funds account for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets.

Fund Financial Statements

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

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

D. Basis of Accounting

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Revenues - Exchange and Nonexchange Transactions

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

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

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

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue criteria has been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

E. 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.

The certificate of estimated resources may be amended during the fiscal 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 issued during fiscal year 2007.

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 appropriations 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.

F. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

G. Cash and Investments

To improve cash management, all cash received by the School District is pooled, except for the federal agency securities purchased and held in a separate management account to the credit of the School District's General Fund only. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents". During fiscal year 2007, investments were limited to certificates of deposit, STAR Ohio, and federal agency securities.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2007. 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, 2007.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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 2007 amounted to \$233,016, which includes \$105,284 assigned from other funds.

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

H. Inventory

Inventory is presented at the lower of cost or market. Cost is determined on a first-in, first-out basis and is expensed when used on the government-wide financial statements, or recorded as an expenditure/expense when used on the fund financial statements. Inventory is accounted for using the purchase method.

On the fund financial statements, reported inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of donated and purchased foods in the governmental funds.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

J. 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 externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation.

Restricted assets in the general fund represent cash set aside to establish a budget stabilization reserve and textbook and instructional material reserves. These reserves are required by State statute. Unspecific items need written approval. The total restricted cash as of June 30, 2007 was \$379,767.

K. Capital Assets

General capital assets are those not specifically related to activities of an enterprise fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of two thousand dollars. The School District does not have any infrastructure. Improvements are capitalized.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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

<u>Description</u>	<u>Useful Lives</u>
Land improvements	10 - 20 years
Buildings and building improvements	10 - 75 years
Furniture, fixtures, and equipment	5 - 20 years
Vehicles	5 - 10 years
Infrastructure	50 years
Library and textbooks (if capitalized)	5 - 10 years

L. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the government-wide statement of net assets.

M. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

N. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually required pension contributions that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Notes are recognized as a liability on the fund financial statements when due.

O. Unamortized Issuance Costs/Bond Premium and Discount

On government-wide financial statements, issuance costs and bond discounts are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges. Bond discounts are presented as a reduction of the face amount of bonds payable.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Bond premiums on the capital appreciation bonds are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amounts of the bonds.

On the governmental fund financial statements, issuance costs, bond premiums, and bond discounts are recognized in the current period.

P. Interfund Transactions

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

Q. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for property taxes, encumbrances, inventories of supplies and materials, budget stabilization, prepaid items, and textbook and instructional materials. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

R. Net Assets

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

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

T. Accounting Change and Restatement of Net Assets

Following the close of the 2006 fiscal year, accretion on bonds was revealed to be erroneously reported. As a result of this error, a restatement of net assets is required.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

The restatement of net assets is presented below:

	<u>Governmental Activities</u>
Net assets, June 30, 2006	\$4,838,630
Capital Appreciation Bonds, Accretion	<u>(388,755)</u>
Restated net assets, as of July 1, 2006	<u>\$ 4,449,875</u>

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- C. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

<u>Net Changes in Fund Balance</u>	
Budget Basis	\$ 399,651
<u>Increase (Decrease) Due To:</u>	
Net adjustment for revenue accruals	878,053
Net adjustment for expenditure accruals	(137,482)
Net adjustment for other sources (uses)	5,344
Encumbrances outstanding at year end (Budget basis)	<u>322,417</u>
GAAP Basis	<u>\$ 1,467,983</u>

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 4 - ACCOUNTABILITY

At June 30, 2007, there were a deficits in the funds listed below. These deficits resulted from adjustments for accrued liabilities. The general fund is liable for any deficit funds and provides operating transfers when cash is required, not when accruals occur.

<u>Fund Description</u>	<u>Deficit Balance</u>
Title 1 (572)	\$33,789
Drug Free Grant (584)	1,304
Title II-A (590)	24,600
Entry Year Program Grant (440)	2,951
Summer School Subsidy (460)	34
Title VI- Idea Part B (516)	36,192

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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.

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

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

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS – (CONTINUED)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand - At fiscal year end, the School District had \$1,175 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements", and amended by GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

Deposits - Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$40,620 of the bank balance of \$521,750 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS – (CONTINUED)

Investments - As of June 30, 2007, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Federal National Mortgage Association	\$ 349,087	03/27/09
Federal Home Loan Bank	124,941	11/15/10
Federal Home Loan Bank	349,727	03/19/09
Federal National Mortgage Association	199,876	08/03/07
Federal National Mortgage Association	249,727	10/23/09
Federal National Mortgage Association	249,180	06/08/10
STAR Ohio	<u>3,337,850</u>	34.8 Days
Total Investments	<u>\$4,860,388</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.

The Federal Home Loan Bank Bonds carry a rating of AAA by Moody's and Standard and Poor's. The Federal National Mortgage Association notes carry a rating of AAA by Standard and Poor's and AAA by Moody's. STAR Ohio carries a rating of AAA by Standard and Poor's.

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

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

NOTE 6 – PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 25 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 18.75 percent of true value.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 6 – PROPERTY TAXES – (CONTINUED)

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Wood and Ottawa Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2006. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue.

The assessed values upon which fiscal year 2007 taxes were collected are:

	<u>2005 Second-Half Collections</u>		<u>2006 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$210,326,460	85.32%	\$217,007,090	87.82%
Public Utility	15,033,880	6.10	14,895,490	6.03
Tangible Personal Property	<u>21,146,218</u>	<u>8.58</u>	<u>15,188,912</u>	<u>6.15</u>
Total Assessed Value	<u>\$246,506,558</u>	<u>100.00%</u>	<u>\$247,091,492</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$54.90		\$62.25	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2007, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), accrued interest, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 7 – RECEIVABLES – (CONTINUED)

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Lunch Room Fund (006)	\$39,066

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	<u>Balance at 6/30/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/07</u>
Governmental Activities				
Non Depreciable Capital Assets				
Construction in Progress		\$ 81,941		\$ 81,941
Land	<u>\$909,400</u>	-	-	<u>909,400</u>
Total Non Depreciable Capital Assets	<u>909,400</u>	<u>81,941</u>	-	<u>991,341</u>
Depreciable Capital Assets				
Land improvements	2,692,677			2,692,677
Buildings and building improvements	19,355,375	60,302		19,415,677
Furniture, fixtures, and equipment	1,246,773	67,606		1,314,379
Vehicles	1,384,125	14,236		1,398,361
Library and textbooks	<u>480,888</u>	-	-	<u>480,888</u>
Total Depreciable Capital Assets	<u>25,159,838</u>	<u>142,144</u>	-	<u>25,301,982</u>
Less Accumulated Depreciation				
Land improvements	1,056,384	102,119		1,158,503
Buildings and building improvements	6,049,343	520,025		6,569,367
Furniture, fixtures, and equipment	585,685	86,819		672,504
Vehicles	1,088,604	78,918		1,167,523
Library and textbooks	<u>420,765</u>	<u>17,178</u>	-	<u>437,943</u>
Total Accumulated Depreciation	<u>9,200,781</u>	<u>805,059</u>	-	<u>10,005,840</u>
Depreciable Capital Assets, Net	<u>15,959,057</u>	<u>(662,915)</u>	-	<u>15,296,142</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 16,868,457</u>	<u>\$ (580,974)</u>	<u>\$ -</u>	<u>\$16,287,483</u>

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 8 - CAPITAL ASSETS – (CONTINUED)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$601,908
Special	1,679
Vocational Education	469
Support Services:	
Pupil	112
Instructional staff	12,529
Administration	3,391
Fiscal	1,538
Operation and maintenance of plant	40,308
Pupil transportation	71,247
Central	6,487
Non-instructional services	12,045
Extracurricular activities	<u>53,346</u>
Total Depreciation Expense	<u>\$805,059</u>

NOTE 9 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, the School District contracted for the following insurance coverage:

Selective Insurance Company of South Carolina:

Buildings and Contents - Replacement Cost	\$41,075,670
Automobile Liability	1,000,000
General School District Liability	
General aggregate	3,000,000
Each occurrence limit	1,000,000
Stop-Gap Employers Liability	
Employers liability each accident	1,000,000
Disease each employee	1,000,000
Disease each policy	1,000,000
Employee Benefits Liability	
Per occurrence limit	1,000,000
Policy aggregate	3,000,000
Public Employee Dishonesty	
Per loss	500,000
Per Occurrence Combined Single Limit Umbrella	10,000,000
General Aggregate Policy Limit	10,000,000
School Board Legal Liability	
Limit of liability	1,000,000

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 9 – RISK MANAGEMENT – (CONTINUED)

There have been no significant reductions in insurance coverage from fiscal year 2006, 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 District provides employee life insurance and accidental death and dismemberment insurance to its employees through American United Life Insurance in the following amounts; \$150,000 for the superintendent, \$40,000 for certified employees, \$30,000 for its classified employees and for administrators an amount equal to their salary.

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 For further information regarding the insurance consortium; refer to Note 18 to the basic financial statements.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer, defined benefit pension plan. SERS provides retirement benefits and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800)878-5853, or by visiting the SERS website at ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005, were \$144,583, \$137,240, and \$135,258, respectively; 11.87 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 10 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 Broad St., Columbus, Ohio 43215-3771, by calling (614)227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

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

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent, 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions to STRS for the fiscal years ended June 30, 2007, 2006, and 2005, were \$676,237, \$667,797, and \$677,458, respectively; 85.77 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 10 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)

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 have an option to choose Social Security or the School Employees Retirement System. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$48,303 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available) the balance in the fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000, and STRS has 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District the amount contributed to fund health care benefits including the surcharge, during the 2007 fiscal year equaled \$58,163.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has approximately 59,492 participants eligible to receive health care benefits.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 12 – COMPENSATED ABSENCES

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 270 days for classified, 290 days for certified, and 305 days for administrators. A percentage of unused sick time is paid at retirement at a rate of 25 percent of accumulated sick leave at the daily rate of pay being received at the time of final service. The entire compensated absences liability is reported on the government-wide financial statements. On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due during the current period. The non-current portion of the liability is not reported.

NOTE 13 – OPERATING LEASES

The District is obligated under operating lease agreement with Lanier Worldwide, Inc. for copiers. These agreements do not give rise to property rights and are not reflected on the School's Statement of Net Assets. The minimum quarterly payments are \$11,462. The future rental payments are as follows:

<u>Year Ending June 30,</u>	<u>Copier Lease Amounts</u>
2008	\$ 45,848
2009	<u>22,924</u>
Total	<u>\$68,772</u>

NOTE 14 – CAPITAL LEASES – LESSEE DISCLOSURE

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

Capital leases consisting of equipment and furniture and fixtures have been capitalized in the general fixed assets account group. The amounts recorded represent the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2007 totaled \$39,487 in the governmental funds.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 15 – LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	Principal Outstanding 6/30/06	Additions	Reductions	Principal Outstanding 6/30/07	Amounts Due Within One Year
General Obligation Bonds:					
Middle School Bonds					
Interest Rate – Various	\$12,589,998		\$9,599,998	\$2,990,000	\$480,000
Capital Appreciation Bonds	444,995			444,995	
Accretion on Capital Appreciation Bonds	388,755	\$43,480		432,235	
2007 Refunding		7,380,000		7,380,000	190,000
Serial Bonds – 4%		1,185,000		1,185,000	
Term Bonds 4%					
Capital Appreciation Bonds		574,990		574,990	
Accretion on Capital Appreciation Bonds		28,873		28,873	
Unamortized Premiums		794,111	17,415	776,696	
High School Bonds Interest Rate-Various	845,000		270,000	575,000	275,000
Unamortized Premium	94,772		24,723	70,049	
Total Long Term Bonds and Notes	14,363,520	10,006,454	9,912,136	14,457,838	945,000
Capital Leases	39,487		39,487		
Compensated Absences	1,053,864		5,816	1,048,048	118,437
Total Governmental Activities Long-Term Liabilities	<u>\$15,456,871</u>	<u>\$10,006,454</u>	<u>\$9,957,439</u>	<u>\$15,505,886</u>	<u>\$1,063,437</u>

General Obligation Bonds - All general obligation bonds are supported by the full faith and credit of Lake Local School District. General obligation bonds will be paid from property taxes out of the Bond Retirement debt service fund. The School District refunded on January 25, 2007, some of the Middle School Renovation Bonds by issuing \$9,139,990 in new bonds at a lower interest rate. Below is a comparison of the Middle School Renovation Bond Issue before and after refunding.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 15 – LONG-TERM OBLIGATIONS – (CONTINUED)

Debt Service Comparison

<u>Date</u>	<u>Total P&I</u>	<u>Existing D/S</u>	<u>Net New D/S</u>	<u>Old Net D/S</u>	<u>Savings</u>
12/01/2007	\$ 481,210	\$ 614,790	\$ 1,096,000	\$ 1,099,870	\$ 3,870
12/01/2008	480,000	614,630	1,094,630	1,099,710	5,080
12/01/2009	484,200	613,130	1,097,330	1,098,210	880
12/01/2010	483,000	610,250	1,093,250	1,095,330	2,080
12/01/2011	481,600	620,950	1,102,550	1,106,030	3,480
12/01/2012	480,000	614,500	1,094,500	1,099,580	5,080
12/01/2013	483,200	614,500	1,097,700	1,099,580	1,880
12/01/2014	1,076,000	19,500	1,095,500	1,099,580	4,080
12/01/2015	701,000	394,500	1,095,500	1,098,640	3,140
12/01/2016	1,081,000		1,081,000	1,096,140	15,140
12/01/2017	1,081,000		1,081,000	1,097,080	16,080
12/01/2018	1,084,600		1,084,600	1,096,200	11,600
12/01/2019	1,081,800		1,081,800	1,097,775	15,975
12/01/2020	1,082,800		1,082,800	1,097,230	14,430
12/01/2021	1,082,400		1,082,400	1,104,565	22,165
12/01/2022	1,080,600		1,080,600	1,104,250	23,650
12/01/2023	1,087,400		1,087,400	1,105,875	18,475
12/01/2024	1,077,400		1,077,400	1,109,812	32,412
12/01/2025	<u>161,200</u>	<u>-</u>	<u>161,200</u>	<u>995,794</u>	<u>834,594</u>
Total	<u>\$15,050,410</u>	<u>\$4,716,750</u>	<u>\$19,767,160</u>	<u>\$20,801,251</u>	<u>\$1,034,091</u>

Compensated Absences Payable - The compensated absences liability will be paid from the General fund and the Food Service fund. Additions and deletions of compensated absences are shown net since it is impractical for the School District to determine these amounts separately.

Annual Long-Term Debt Obligation Summary - The following is a summary of the School District's future annual debt service requirements for governmental activities:

<u>Year Ending June 30</u>	<u>General Obligation Refunding Bonds</u>		<u>Middle School Renovation bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$275,000	\$12,263	\$670,000	\$463,510
2009	285,000	4,276	645,000	435,980
2010	15,000	185,000	675,000	407,790
2011			700,000	377,900
2012			740,000	346,025
2013-2017			1,744,985	3,702,466
2018-2022			4,260,000	1,067,400
2023-2026			3,140,000	203,800
Total	<u>\$575,000</u>	<u>\$201,539</u>	<u>\$12,574,985</u>	<u>\$7,004,871</u>

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 16 – STATUTORY RESERVES

The District is required by state statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purpose in future years. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2003 and after, only the unspent portion of certain workers' compensation refunds is required to be set aside at fiscal year end.

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Balance 7/1/2006	\$ 300,015	\$ -	\$ 37,154	\$ 337,169
Required Set-Aside	232,048	232,048	-	464,096
Current Year Offsets	-	(323,255)	-	(323,255)
Qualifying Expenditures	<u>(189,450)</u>	<u>-</u>	<u>-</u>	<u>(189,450)</u>
 Total	 <u>\$ 342,613</u>	 <u>\$ (91,207)</u>	 <u>\$ 37,154</u>	 <u>\$ 288,560</u>
Cash balance carried forward to following year 2006	 <u>\$ 342,613</u>	 <u>\$ -</u>	 <u>\$ 37,154</u>	 <u>\$ 379,767</u>

Although the School District has off-sets and qualifying disbursements during the year that reduced the set-aside below zero, the amount for capital maintenance may not be used to reduce the set-aside requirements of future years.

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended Ohio Revised Code § 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. S.B. 345 places special restrictions on the use of Bureau of Workers Compensation (BWC) rebate money remaining in the budget stabilization as of April 10, 2001, which is \$37,154 at June 30, 2007. The District is still required by state law to maintain the textbook and capital maintenance reserve.

Amount restricted for textbooks	\$342,613
Amount restricted for budget stabilization	<u>37,154</u>
 Total restricted assets	 <u>\$379,767</u>

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 17 – JOINTLY GOVERNED ORGANIZATION

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 Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

Northern Buckeye Education Council

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

Total disbursements made by the School District to Northern Buckeye Education Council during this fiscal year were approximately \$52,329. These payments include services for NWOCA. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

Penta Career Center

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

NOTE 18 – INSURANCE POOL

A. 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.

B. 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, Huntington Bank, concerning aspects of the administration of the WCIC.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 18 – INSURANCE POOL – (CONTINUED)

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.

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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

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 the overall financial position of the School District.

NOTE 20 - INTERFUND TRANSFERS

During fiscal year 2006, the General Fund made transfers in the amount of \$ 60,287, to other governmental funds, to subsidize various programs in other funds. The other governmental funds made transfers to other governmental funds, in the amounts of \$78,259 to carry over grant balances and to subsidize operations of other funds.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Federal Receipts	Non-Cash Receipts	Federal Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education</i>						
Food Donation		10.550		\$104,063		\$104,063
<i>Child Nutrition Cluster</i>						
School Breakfast Program	050690-05PU-2006	10.553	\$6,945		\$6,945	
	050690-05PU-2007	10.553	16,612		16,612	
Total School Breakfast Program			<u>23,557</u>		<u>23,557</u>	
National School Lunch Program	050690-LLP4-2006	10.555	38,265		38,265	
	050690-LLP4-2007	10.555	91,836		91,836	
Total National School Lunch Program			<u>130,101</u>		<u>130,101</u>	
Total U.S. Department of Agriculture			<u>153,658</u>	<u>104,063</u>	<u>153,658</u>	<u>104,063</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	050690-C1S1-2007	84.010	194,982		247,968	
Innovative Education Program Strategies	050690-C2S1-2006	84.298			42	
	050690-C2S1-2007	84.298	249			
Total Innovative Education Program Strategies			<u>249</u>		<u>42</u>	
Safe and Drug Free Schools and Communities - State Grants	050690-DRS1-2007	84.186	4,000		5,304	
Improving Teacher Quality State Grants	050690-TRS1-2007	84.367	48,768		64,624	
Education Technology State Grants	050690-TJS1-2007	84.318	902		700	
Special Education Grants to States	050690-6BSF-2006	84.027	325,729		361,921	
Total U.S. Department of Education			<u>574,630</u>		<u>680,559</u>	
Total Federal Awards Expenditures			<u>\$728,288</u>	<u>\$104,063</u>	<u>\$834,217</u>	<u>\$104,063</u>

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - MATCHING REQUIREMENTS

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



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Local School District, Wood County, (the School District) as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We do not believe the significant deficiency described above is a material weakness.

We also noted a certain internal control matter that we reported to the School District's management in a separate letter dated February 21, 2008.

Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the School District's management in a separate letter dated February 21, 2008

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



Mary Taylor, CPA
Auditor of State

February 21, 2008



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Lake Local School District, Wood County (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the Lake Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

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

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

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

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

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



Mary Taylor, CPA
Auditor of State

February 21, 2008

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2007-001

Significant Deficiency

Budget to Actual Receipts Monitoring

The Board of Education approves estimated receipts and appropriations at the level they intend to monitor the District's financial activity and in amounts they deem able and sufficient to operate the District.

For fiscal year 2007, there were no estimated receipts posted to the financial accounting USAS system. This does not provide the Board with adequate information to monitor the District's actual to estimated revenues.

In order to make informed decisions based on actual revenue recorded to amounts estimated, we recommend budgeted receipts posted to the District's accounting system agree with the amount approved by the Board of Education.

Officials Response: The Officials did not respond regarding this matter.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

LAKE LOCAL SCHOOL DISTRICT

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 11, 2008**