

**LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Lake Local School District  
Stark County  
12077 Lisa Avenue, NW  
Hartville, Ohio 44632

To the Board of Education:

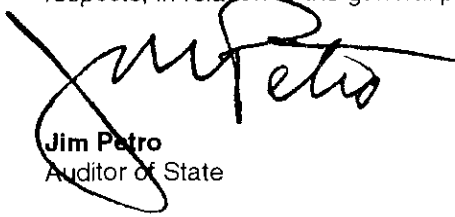
We have audited the accompanying general purpose financial statements of Lake Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 1999, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.



**Jim Petro**  
Auditor of State

November 30, 1999

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
AS OF JUNE 30, 1999

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
<b><u>Assets</u></b>				
Cash, Cash Equivalents and Investments	\$ 2,574,379	\$ 226,027	\$ 408,670	\$ 254,535
Cash with a Fiscal Agent	0	0	1,153	0
Receivable (Net Allowances for Uncollectables)				
Taxes - Current	8,157,317	0	298,873	0
Taxes - Delinquent	156,609	0	10,039	0
Accounts	1,286	190	0	0
Interfund Receivable	8,685	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	18,107	0	0	0
Restricted Assets:				
Cash, Cash Equivalents and Investments	231,992	0	0	0
Property, Plant and Equipment (Net of Accumulated Depreciation)	0	0	0	0
<b><u>Other Debits</u></b>				
Amount available in Debt Service Fund	0	0	0	0
Amount to be provided for Retirement of General Long-Term Obligations	0	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$ 11,148,375</b>	<b>\$ 226,217</b>	<b>\$ 718,735</b>	<b>\$ 254,535</b>

The notes to the general purpose financial statements are an integral part of this statement.

PROPRIETARY FUND TYPES		FIDUCIARY FUNDS	ACCOUNT GROUPS		TOTALS
ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	(MEMORANDUM ONLY)
\$ 144,692	\$ 313	\$ 87,953	\$ 0	\$ 0	\$ 3,696,569
0	0	0	0	0	1,153
0	0	0	0	0	8,456,190
0	0	0	0	0	166,648
534	0	0	0	0	2,010
0	0	0	0	0	8,685
11,874	0	0	0	0	11,874
2,332	0	0	0	0	20,439
0	0	0	0	0	231,992
51,407	0	0	17,363,191	0	17,414,598
0	0	0	0	424,910	424,910
0	0	0	0	2,940,570	2,940,570
<u>\$ 210,839</u>	<u>\$ 313</u>	<u>\$ 87,953</u>	<u>\$ 17,363,191</u>	<u>\$ 3,365,480</u>	<u>\$ 33,375,638</u>

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
AS OF JUNE 30, 1999  
(Continued)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
<b><u>Liabilities, Equity and Other Credits</u></b>				
<b><u>Liabilities</u></b>				
Accounts Payable	\$ 154,368	\$ 14,557	\$ 0	\$ 0
Accrued Wages and Benefits	1,620,407	24,428	0	0
Compensated Absences Payable	122,003	0	0	0
Retirement Incentive Payable	0	0	0	0
Due To Other Governments	174,587	13,105	0	0
Matured Bonds and Coupons Payable	0	0	1,153	0
Deferred Revenue	7,904,686	7,675	292,672	0
Due To Students	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Capital Lease Payable	0	0	0	0
Interfund Payable	0	578	0	0
<b>Total Liabilities</b>	<b>9,976,051</b>	<b>60,343</b>	<b>293,825</b>	<b>0</b>
<b><u>Equity and Other Credits</u></b>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings : Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	142,058	32,562	0	19,846
Reserved for Inventory	18,107	0	0	0
Reserve for Budget Stabilization	231,992	0	0	0
Reserved for Property Taxes	409,240	0	16,240	0
Unreserved - Undesignated	370,927	133,312	408,670	234,689
<b>Total Equity and Other Credits</b>	<b>1,172,324</b>	<b>165,874</b>	<b>424,910</b>	<b>254,535</b>
<b>Total Liabilities, Equity and Other Credits</b>	<b>\$ 11,148,375</b>	<b>\$ 226,217</b>	<b>\$ 718,735</b>	<b>\$ 254,535</b>

The notes to the general purpose financial statements are an integral part of this statement.

PROPRIETARY FUND TYPES		FIDUCIARY FUNDS	ACCOUNT GROUPS		TOTALS
ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	(MEMO-RANDUM ONLY)
\$ 622	\$ 0	\$ 4,400	\$ 0	\$ 0	\$ 173,947
39,079	0	845	0	0	1,684,759
20,684	0	0	0	657,280	799,967
0	0	0	0	60,000	60,000
29,080	0	1,389	0	165,896	384,057
0	0	0	0	0	1,153
12,392	0	0	0	0	8,217,425
0	0	74,380	0	0	74,380
0	0	0	0	1,888,434	1,888,434
0	0	0	0	593,870	593,870
1,573	0	6,534	0	0	8,685
<b>103,430</b>	<b>0</b>	<b>87,548</b>	<b>0</b>	<b>3,365,480</b>	<b>13,886,677</b>
0	0	0	17,363,191	0	17,363,191
107,409	313	0	0	0	107,722
0	0	0	0	0	194,466
0	0	0	0	0	18,107
0	0	0	0	0	231,992
0	0	0	0	0	425,480
0	0	405	0	0	1,148,003
<b>107,409</b>	<b>313</b>	<b>405</b>	<b>17,363,191</b>	<b>0</b>	<b>19,488,961</b>
<b>\$ 210,839</b>	<b>\$ 313</b>	<b>\$ 87,953</b>	<b>\$ 17,363,191</b>	<b>\$ 3,365,480</b>	<b>\$ 33,375,638</b>



LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 1999

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
<b>Revenues</b>				
Taxes	\$ 8,234,051	\$ 0	\$ 427,261	\$ 0
Tuition	92,869	0	0	0
Earnings on Investments	188,299	1,581	0	10,529
Intergovernmental	9,215,497	605,503	51,680	263,866
Extracurricular Activities	0	262,409	0	0
Classroom Materials and Fees	267	12,942	0	0
Miscellaneous	32,607	502	0	7,500
<b>Total Revenues</b>	<b>17,763,590</b>	<b>882,937</b>	<b>478,941</b>	<b>281,895</b>
<b>Expenditures</b>				
Instruction:				
Regular	8,104,789	83,310	0	230,042
Special	1,025,682	265,993	0	0
Vocational	206,282	0	0	0
Other	471,059	0	0	0
Support Services:				
Pupils	680,217	32,856	0	0
Instructional Staff	560,898	248,296	0	0
Board of Education	18,457	0	0	0
Administration	1,451,505	23,037	0	7,817
Fiscal	367,382	0	0	0
Business	49,992	0	0	0
Operations and Maintenance	1,564,822	0	0	0
Pupil Transportation	1,117,395	0	0	0
Central	16,889	44,295	0	0
Extracurricular Activities	367,050	157,730	0	0
Facilities Acquisition	86,526	0	0	18,576
Operation of Non-Instructional Services	33,523	172,455	0	0
Debt Service:				
Principal Retirement	52,716	0	516,474	0
Interest and Fiscal Charges	40,476	0	107,262	0
<b>Total Expenditures</b>	<b>\$ 16,215,660</b>	<b>\$ 1,027,972</b>	<b>\$ 623,736</b>	<b>\$ 256,435</b>

The notes to the general purpose financial statements are an integral part of this statement.

<u>FIDUCIARY FUND</u> <u>EXPENDABLE</u> <u>TRUST</u>	<u>TOTALS</u> <u>(MEMORANDUM</u> <u>ONLY)</u>
\$ 0	\$ 8,661,312
0	92,869
0	200,409
0	10,136,546
223	262,632
0	13,209
9,500	50,109
<u>9,723</u>	<u>19,417,086</u>
16,954	8,435,095
0	1,291,675
0	206,282
0	471,059
0	713,073
35	809,229
0	18,457
0	1,482,359
0	367,382
0	49,992
0	1,564,822
0	1,117,395
0	61,184
0	524,780
0	105,102
0	205,978
0	569,190
0	147,738
<u>\$ 16,989</u>	<u>\$ 18,140,792</u>

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 1999

(Continued)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ 1,547,930	\$ (145,035)	\$ (144,795)	\$ 25,460
<b><u>Other Financing Sources/ (Uses)</u></b>				
Other (Uses)	(1,675)	0	0	0
Operating Transfers In	0	17,640	70,690	0
Operating Transfers Out	(75,690)	(12,680)	0	0
<b>Total Other Financing Sources/ (Uses)</b>	<b>(77,365)</b>	<b>4,960</b>	<b>70,690</b>	<b>0</b>
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,470,565	(140,075)	(74,105)	25,460
Fund Balances - July 1, 1998	(297,876)	305,949	499,015	229,075
(Decrease) in Reserve for Inventory	(365)	0	0	0
<b>Fund Balances - June 30, 1999</b>	<b>\$ 1,172,324</b>	<b>\$ 165,874</b>	<b>\$ 424,910</b>	<b>\$ 254,535</b>

The notes to the general purpose financial statements are an integral part of this statement.

FIDUCIARY FUND TYPE	TOTALS (MEMORANDUM ONLY)
\$ (7.266)	\$ 1,276,294
0	(1,675)
0	88,330
0	(88,370)
0	(1,715)
(7.266)	1,274,579
7.671	743,834
0	(365)
<u>\$ 405</u>	<u>\$ 2,018,048</u>

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES, BUDGET - ACTUAL (BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 1999

GENERAL FUND			
	REVISED BUDGET	ACTUAL	VARIANCE
<b>Revenues</b>			
Taxes	\$ 8,238,071	\$ 8,238,071	\$ 0
Tuition	92,229	92,229	0
Earnings on Investments	188,299	188,299	0
Extracurricular Activities	0	0	0
Intergovernmental	9,215,497	9,215,497	0
Classroom Materials and Fees	267	267	0
Miscellaneous	33,442	33,442	0
<b>Total Revenues</b>	<b>17,767,805</b>	<b>17,767,805</b>	<b>0</b>
<b>Expenditures</b>			
Instruction:			
Regular	8,225,530	8,225,530	0
Special	1,039,376	1,039,376	0
Vocational	202,274	202,274	0
Other	471,209	471,209	0
Support Services:			
Pupils	691,125	691,125	0
Instructional Staff	574,994	574,994	0
Board of Education	18,646	18,646	0
Administration	1,452,447	1,452,447	0
Fiscal	360,192	360,192	0
Business	49,389	49,389	0
Operations and Maintenance	1,715,671	1,715,671	0
Pupil Transportation	1,204,866	1,204,866	0
Central	16,928	16,928	0
Operation of Non-Instructional Services	33,269	33,269	0
Facilities Acquisition	86,501	86,501	0
Extracurricular Activities	368,974	368,974	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>\$ 16,511,391</b>	<b>\$ 16,511,391</b>	<b>\$ 0</b>

The notes to the general purpose financial statements are an integral part of this statement.

SPECIAL REVENUE FUNDS				DEBT SERVICE FUND			
REVISED				REVISED			
BUDGET	ACTUAL	VARIANCE		BUDGET	ACTUAL	VARIANCE	
\$ 0	\$ 0	\$ 0	0	\$ 440,071	\$ 440,071	\$ 0	0
0	0	0	0	0	0	0	0
1,581	1,581	0	0	0	0	0	0
262,894	262,894	0	0	0	0	0	0
605,503	605,503	0	0	51,680	51,680	0	0
12,942	12,942	0	0	0	0	0	0
502	502	0	0	0	0	0	0
<b>883,422</b>	<b>883,422</b>	<b>0</b>		<b>491,751</b>	<b>491,751</b>	<b>0</b>	
114,069	114,069	0	0	0	0	0	0
266,512	266,512	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
36,120	36,120	0	0	0	0	0	0
255,777	255,777	0	0	0	0	0	0
0	0	0	0	0	0	0	0
21,332	21,332	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
46,300	46,300	0	0	0	0	0	0
188,750	188,750	0	0	0	0	0	0
0	0	0	0	0	0	0	0
162,214	162,214	0	0	0	0	0	0
0	0	0	0	516,474	516,474	0	0
0	0	0	0	107,262	107,262	0	0
<b>\$ 1,091,074</b>	<b>\$ 1,091,074</b>	<b>\$ 0</b>		<b>\$ 623,736</b>	<b>\$ 623,736</b>	<b>\$ 0</b>	

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES, BUDGET - ACTUAL (BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 1999

(Continued)

	GENERAL FUND		
	REVISED BUDGET	ACTUAL	VARIANCE
<b>Excess (Deficit) of Revenues Over (Under) Expenditures</b>	<b>\$ 1,256,414</b>	<b>\$ 1,256,414</b>	<b>\$ 0</b>
<b><u>Other Financing Sources/ (Uses)</u></b>			
Other (Uses)	(1,675)	(1,675)	0
Advances In	4,346	4,346	0
Advances Out	(8,685)	(8,685)	0
Operating Transfers In	0	0	0
Operating Transfers Out	(75,690)	(75,690)	0
<b>Total Other Financing Sources/ (Uses)</b>	<b>(81,704)</b>	<b>(81,704)</b>	<b>0</b>
<b>Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	1,174,711	1,174,711	0
Prior Year Encumbrances Appropriated	355,205	355,205	0
<b>Fund Balances - July 1, 1998</b>	<b>980,028</b>	<b>980,028</b>	<b>0</b>
<b>Fund Balances - June 30, 1999</b>	<b>\$ 2,509,944</b>	<b>\$ 2,509,944</b>	<b>\$ 0</b>

The notes to the general purpose financial statements are an integral part of this statement.

SPECIAL REVENUE FUNDS				DEBT SERVICE FUND			
REVISED BUDGET	ACTUAL	VARIANCE		REVISED BUDGET	ACTUAL	VARIANCE	
\$ (207,652)	\$ (207,652)	\$ 0		\$ (131,985)	\$ (131,985)	\$ 0	
0	0	0		0	0	0	
578	578	0		0	0	0	
(537)	(537)	0		0	0	0	
17,640	17,640	0		70,690	70,690	0	
(12,680)	(12,680)	0		0	0	0	
<b>5,001</b>	<b>5,001</b>	<b>0</b>		<b>70,690</b>	<b>70,690</b>	<b>0</b>	
(202,651)	(202,651)	0		(61,295)	(61,295)	0	
73,179	73,179	0		0	0	0	
308,381	308,381	0		469,964	469,964	0	
<b>\$ 178,909</b>	<b>\$ 178,909</b>	<b>\$ 0</b>		<b>\$ 408,669</b>	<b>\$ 408,669</b>	<b>\$ 0</b>	



LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES, BUDGET - ACTUAL (BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 1999

(Continued)

CAPITAL PROJECTS FUND			
	REVISED BUDGET	ACTUAL	VARIANCE
<b>Revenues</b>			
Taxes	\$ 0	\$ 0	\$ 0
Tuition	0	0	0
Earnings on Investments	10,529	10,529	0
Extracurricular Activities	0	0	0
Intergovernmental	263,864	263,864	0
Classroom Materials and Fees	0	0	0
Miscellaneous	7,500	7,500	0
	<b>281,893</b>	<b>281,893</b>	<b>0</b>
<b>Total Revenues</b>			
<b>Expenditures</b>			
Instruction:			
Regular	253,771	253,771	0
Special	0	0	0
Vocational	0	0	0
Other	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	7,817	7,817	0
Fiscal	0	0	0
Business	0	0	0
Operations and Maintenance	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Facilities Acquisition	18,576	18,576	0
Extracurricular Activities	0	0	0
Debt Service:			
Principal Retirement		0	0
Interest and Fiscal Charges	0	0	0
	<b>280,164</b>	<b>280,164</b>	<b>0</b>
<b>Total Expenditures</b>			

The notes to the general purpose financial statements are an integral part of this statement.

EXPENDABLE TRUST FUND				TOTALS (MEMORANDUM ONLY)			
REVISED				REVISED			
BUDGET	ACTUAL	VARIANCE		BUDGET	ACTUAL	VARIANCE	
\$ 0	\$ 0	\$ 0	0	\$ 8,678,142	\$ 8,678,142	\$ 0	0
0	0	0	0	92,229	92,229	0	0
0	0	0	0	200,409	200,409	0	0
223	223	0	0	263,117	263,117	0	0
0	0	0	0	10,136,544	10,136,544	0	0
0	0	0	0	13,209	13,209	0	0
9,500	9,500	0	0	50,944	50,944	0	0
<b>9,723</b>	<b>9,723</b>	<b>0</b>		<b>19,434,594</b>	<b>19,434,594</b>	<b>0</b>	
16,078	16,078	0	0	8,609,448	8,609,448	0	0
0	0	0	0	1,305,888	1,305,888	0	0
0	0	0	0	202,274	202,274	0	0
0	0	0	0	471,209	471,209	0	0
0	0	0	0	727,245	727,245	0	0
135	135	0	0	830,906	830,906	0	0
0	0	0	0	18,646	18,646	0	0
0	0	0	0	1,481,596	1,481,596	0	0
0	0	0	0	360,192	360,192	0	0
0	0	0	0	49,389	49,389	0	0
0	0	0	0	1,715,671	1,715,671	0	0
0	0	0	0	1,204,866	1,204,866	0	0
0	0	0	0	63,228	63,228	0	0
0	0	0	0	222,019	222,019	0	0
0	0	0	0	105,077	105,077	0	0
0	0	0	0	531,188	531,188	0	0
0	0	0	0	516,474	516,474	0	0
0	0	0	0	107,262	107,262	0	0
<b>\$ 16,213</b>	<b>\$ 16,213</b>	<b>\$ 0</b>		<b>\$ 18,522,578</b>	<b>\$ 18,522,578</b>	<b>\$ 0</b>	

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES, BUDGET - ACTUAL (BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 1999

(Continued)

	CAPITAL PROJECTS FUND		
	REVISED BUDGET	ACTUAL	VARIANCE
<b>Excess (Deficit) of Revenues Over (Under) Expenditures</b>	\$ 1,729	\$ 1,729	\$ 0
<b><u>Other Financing Sources/ (Uses)</u></b>			
Other (Uses)	0	0	0
Advances In	0	0	0
Advances Out	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
<b>Total Other Financing Sources/ (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	1,729	1,729	0
<b>Prior Year Encumbrances Appropriated</b>	18,961	18,961	0
<b>Fund Balances - July 1, 1998</b>	213,998	213,998	0
<b>Fund Balances - June 30, 1999</b>	\$ 234,688	\$ 234,688	\$ 0

The notes to the general purpose financial statements are an integral part of this statement.

EXPENDABLE TRUST FUND			TOTALS (MEMORANDUM ONLY)		
REVISED BUDGET	ACTUAL	VARIANCE	REVISED BUDGET	ACTUAL	VARIANCE
\$ (6.490)	\$ (6.490)	0	\$ 912.016	\$ 912.016	0
0	0	0	(1.675)	(1.675)	0
6,534	6,534	0	11,458	11,458	0
0	0	0	(9,222)	(9,222)	0
0	0	0	88,330	88,330	0
0	0	0	(88,370)	(88,370)	0
<b>6,534</b>	<b>6,534</b>	<b>0</b>	<b>521</b>	<b>521</b>	<b>0</b>
44	44	0	912,537	912,537	0
158	158	0	447,503	447,503	0
9,493	9,493	0	1,981,864	1,981,864	0
<b>\$ 9,695</b>	<b>\$ 9,695</b>	<b>0</b>	<b>\$ 3,341,904</b>	<b>\$ 3,341,904</b>	<b>0</b>

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 1999

	PROPRIETARY FUND TYPES		
	ENTERPRISE FUNDS	INTERNAL SERVICE FUND	TOTALS (MEMORANUDM ONLY)
<b><u>Operating Revenues</u></b>			
Tuition and Fees	\$ 94,147	\$ 0	\$ 94,147
Food Services	378,898	0	378,898
Classroom Materials and Supplies	99,180	10,863	110,043
<b>Total Operating Revenues</b>	<b>572,225</b>	<b>10,863</b>	<b>583,088</b>
<b><u>Operating Expenses</u></b>			
Salaries	237,469	0	237,469
Fringe Benefits	64,438	0	64,438
Purchased Services	44,342	0	44,342
Materials and Supplies	317,005	10,550	327,555
Depreciation	4,106	0	4,106
<b>Total Operating Expenses</b>	<b>667,360</b>	<b>10,550</b>	<b>677,910</b>
Operating Income (Loss)	(95,135)	313	(94,822)
<b><u>Nonoperating Revenues</u></b>			
Interest	2,486	0	2,486
Federal Donated Commodities	19,355	0	19,355
Intergovernmental	66,021	0	66,021
<b>Total Nonoperating Revenues</b>	<b>87,862</b>	<b>0</b>	<b>87,862</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>(7,273)</b>	<b>313</b>	<b>(6,960)</b>
Operating Transfers In	2,223	0	2,223
Operating Transfers Out	(1,673)	0	(1,673)
<b>Net Income (Loss)</b>	<b>(6,723)</b>	<b>313</b>	<b>(6,410)</b>
Retained Earnings - July 1, 1998	114,132	0	114,132
<b>Retained Earnings - June 30, 1999</b>	<b>\$ 107,409</b>	<b>\$ 313</b>	<b>\$ 107,722</b>

The notes to the general purpose financial statements are an integral part of this statement.

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY

COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 1999

	<u>ENTERPRISE</u> <u>FUND</u>	<u>INTERNAL</u> <u>SERVICE</u> <u>FUND</u>	<u>TOTAL</u>
<b><u>Cash Flows from Operating Activities</u></b>			
Operating Income (Loss)	\$ (95,135)	\$ 313	\$ (94,822)
Adjustments to Reconcile Operating Income (Loss) to Net Cash (Used In) Provided by Operating Activities:			
Depreciation	4,106	0	4,106
<i>(Increase) Decrease in Assets:</i>			
Accounts receivable and other receivable	(221)	0	(221)
Materials and supplies inventory	(1,109)	0	(1,109)
<i>Increase (Decrease) in Liabilities:</i>			
Accounts payable	(1,603)	0	(1,603)
Accrued salaries and benefits payable	4,722	0	4,722
Compensated absences payable	1,730	0	1,730
Deferred revenues	2,826	0	2,826
Interfund payable	(2,202)	0	(2,202)
Due to other governments	3,512	0	3,512
Total Adjustments	11,761	0	11,761
Net cash (used in) provided by operating activities	(83,374)	313	(83,061)
<b><u>Cash Flows from Noncapital</u></b>			
<b><u>Financing Activities</u></b>			
Intergovernmental	66,021	0	66,021
Transfers In	2,223	0	2,223
Transfers Out	(1,673)	0	(1,673)
Federal Donated Commodities	19,355	0	19,355
Interest	2,486	0	2,486
Net cash provided by noncapital financing activities	88,412	0	88,412
<b><u>Cash Flows from Capital and Related</u></b>			
<b><u>Financing Activities</u></b>			
Capital asset acquisitions	(1,740)	0	(1,740)
Net cash used in capital and related financing activities	(1,740)	0	(1,740)
Net increase in cash and cash equivalents	3,298	313	3,611
Cash and cash equivalents - July 1, 1998	141,394	0	141,394
<b>Cash and cash equivalents - June 30, 1999</b>	<b>\$ 144,692</b>	<b>\$ 313</b>	<b>\$ 145,005</b>

The notes to the general purpose financial statements are an integral part of this statement.

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

1. Description of the School District and Reporting Entity

The Lake Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is governed by a five-member board of education (the Board) elected by its citizens. The Board controls the District's five school buildings, bus garage, warehouse, and administration building staffed by administrators, teachers, and non-certified personnel providing educational opportunities to its students.

The Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the general purpose financial statements of the District are not misleading.

The primary government consists of all funds, agencies, departments and offices that are not legally separate from the District. The primary government consists of general operations, food service and student related activities of the District.

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

The District is involved with Stark-Portage Area Computer Consortium (SPARCC), which is defined as a jointly governed organization. Additional information concerning SPARCC is presented in Note 14.

Management believes the financial statements included in this report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

The following organizations are not part of the reporting entity and are excluded from the accompanying financial statements:

Non-Public Schools - Within the District's boundaries, Hartville Christian and Lake Center Christian Schools are operated by religious organizations. Current state legislation provides

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

1. Description of the School District and Reporting Entity (Continued)

The Reporting Entity (Continued)

funding to these schools. The monies are received and disbursed on behalf of the non-public schools by the Treasurer of the District. The accounting of these state monies are reflected as part of the District's Special Revenue Funds.

2. Summary of Significant Accounting Policies

The general purpose financial statements of the District have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as it applies to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Under the guidelines of Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Units That Use Proprietary Fund Accounting*, the District has elected not to apply Financial Accounting Standards Board (FASB) Statements and interpretations issued after November 30, 1989, to its proprietary activities. The adoption of this approach to accounting for proprietary activities by the District has required no change from prior years.

The District's significant accounting policies are described below.

A. Basis of Presentation

Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available resources. For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.



LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

Governmental Fund Types

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the District's Governmental Fund types:

General Fund

The General Fund is the operating fund of the District and 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 District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources, other than expendable trusts or major capital projects that are legally restricted to expenditure for specified purposes.

Debt Service Fund

The Debt Service Fund is used to account for financial resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by Proprietary Funds or Trust Funds.

Proprietary Fund Types

Proprietary Funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the District's Proprietary Fund types:

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

Proprietary Fund Types (Continued)

Enterprise Funds

Enterprise Funds are used to account for District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund

The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a reimbursement basis.

Fiduciary Fund Types

Fiduciary Funds are used to account for assets not owned by the District, but held for a separate entity.

Expendable Trust Fund

The Expendable Trust Fund is used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The Expendable Trust Fund is accounted for in essentially the same manner as the Governmental Funds.

Agency Funds

Agency Funds are used to account for assets held by the District as an agent. Agency Funds are custodial in nature (Assets equal Liabilities) and do not involve measurement of results of operations.

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds.

B. Measurement Focus and Basis of Accounting

Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Fund Types and the Expendable Trust Fund 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 combined balance sheet.

Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All Proprietary Fund Types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into retained earnings components. Proprietary Fund Types operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

2 Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

*Basis of Accounting*

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the Governmental, Expendable Trust, and Agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year.

The available period for the District is sixty days after fiscal year end. In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the Proprietary Fund types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. Unused donated commodities in the Enterprise Fund at year end are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

C. Budgetary Process (Continued)

prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified by the County Auditor.

All funds, other than Agency Funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level for the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget

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

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final Amended Certificate issued during fiscal year 1999.

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

C. Budgetary Process (Continued)

Appropriations

Upon receipt from the County Auditor of an amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual Appropriation Resolution must be legally enacted by the Board of Education at the fund, function, and object level for the General Fund and the fund level for all other funds of expenditures, which are the legal levels of budgetary control. Prior to the passage of the Annual Appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within the General Fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts.

Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

C. Budgetary Process (Continued)

Encumbrances (Continued)

reported as a reservation of fund balance for subsequent year end expenditures of Governmental Funds. At year end, the District's advances and transfers in/out did not agree on a non-GAAP budgetary basis. This is due to Agency fund activity not being disclosed in the financial statements.

Lapsing of Appropriations

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

D. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including Proprietary Fund Types, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Cash, Cash Equivalents, and Investments" on the combined balance sheet.

During fiscal year 1999, investments were limited to STAR Ohio.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 1999. 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, 1999.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest credited to the General, Special Revenue

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

D. Cash and Investments (Continued)

and Capital Projects Funds during fiscal year 1999 amounted to \$188,299, \$1,581, and \$10,529, respectively.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 District are considered to be cash equivalents.

E. Inventory

Inventories are valued at cost (first in, first out) and are determined by physical count. Inventories in Governmental Funds consist of expendable supplies held for consumption. The cost has been recorded as an expenditure at the time individual inventory items were purchased. Inventory in Proprietary Funds consist of expendable supplies held for consumption and food service items held for resale. The cost has been recorded as an expense at the time individual inventory items were consumed.

F. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in Governmental Funds, and the related assets are reported in the General Fixed Assets Account Group. Fixed assets utilized in the Proprietary Fund Types are capitalized in those funds. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$500. The District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Assets in the General Fixed Assets Account Group are not depreciated. Depreciation of Furniture, Fixtures, and Equipment in the Enterprise Funds is computed using the straight-line method over an estimated useful lives of eight to twenty years.



LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

G. Intergovernmental Revenues

For Governmental Funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as nonoperating revenues in the accounting period in which they are earned and become measurable. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program

State Property Tax Relief

Nonreimbursable Grants

Special Revenue Funds

Drug Free Grant

Title I

Title VI

Title VI-B Flow Through

Goals 2000 Systemic Improvements

Goals 2000 Pacesetter

Capital Projects Fund

School Net

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

G. Intergovernmental Revenues (Continued)

Reimbursable Grants

General Fund

Driver Education Reimbursement

State Aid – Bus Reimbursement

Telecommunications Act Grant (E-Rate)

Enterprise Fund

National School Lunch Program

Government Donated Commodities

Grants and entitlements amounted to approximately 50 percent of the District's operating and nonoperating revenue during the 1999 fiscal year.

H. Interfund Assets and Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "Interfund Receivable" or "Interfund Payable". Long-term interfund loans are recorded as reservation of fund balance to indicate that they do not constitute available expendable resources since they are not a component of net current assets. The District did not have any long-term advances at year end.

I. 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 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 vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future, in accordance

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

7. Summary of Significant Accounting Policies (Continued)

I. Compensated Absences (Continued)

with the provisions of Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's severance policy.

For Governmental Funds, the District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The District records a liability for accumulated unused sick leave for both classified and certified employees once they meet the eligibility requirements for retirement from one of the State retirement systems. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees are paid. The remainder is reported in the General Long-Term Obligations Account Group. In Proprietary Funds, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-Term Obligations

In general, Governmental Fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the General Long-Term Obligations Account Group until due. Long-term debt and other obligations financed by Proprietary Funds are reported as liabilities of those funds.

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/ expenses initially made from it that are properly applicable to another fund are recorded as expenditures/ expenses in the reimbursing fund and as reductions of expenditures/ expenses in the fund

LAKE LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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2. Summary of Significant Accounting Policies (Continued)

K. Interfund Transactions (Continued)

that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Fund Balance Reserves

The 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 encumbrances, property taxes, budget stabilization and materials and supplies inventory. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

M. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total-(Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with Generally Accepted Accounting Principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in aggregation of this data.

N. Restricted Assets

Restricted assets in the General fund represents cash and cash equivalents and investments set aside to establish a budget stabilization reserve. This reserve is required by the State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established. See Note 18 for the calculation of the year-end restricted asset balance and the corresponding fund balances reserves.

LAKE LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

O. Estimates

The preparation of the 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.

3. Budgetary Basis of Accounting

While the District is reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of Generally Accepted Accounting Principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances, Budget -Actual (Budgetary Basis) - All Governmental Fund Types and Similar Fiduciary Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the Budgetary basis and GAAP basis are that:

1. Revenues are recorded when received in cash (Budgetary basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (Budgetary basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditure equivalents for all funds (Budgetary basis) rather than as a reservation of fund balance for Governmental Fund Types (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the Budgetary and GAAP basis statements by fund type.

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3. Budgetary Basis of Accounting (Continued)

Excess (Deficiency) of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	\$1,174,711	\$(202,651)	\$(61,295)	\$ 1,729	\$ 44
Adjustments for Revenue Accruals	(4,217)	(488)	(12,810)	-	-
Adjustments for Expenditure Accruals	3,645	15,945	-	3,885	(10,503)
Adjustments for Encumbrances	<u>296,426</u>	<u>47,119</u>	<u>-</u>	<u>19,846</u>	<u>3,193</u>
GAAP Basis	<u>\$1,470,565</u>	<u>\$(140,075)</u>	<u>\$(74,105)</u>	<u>\$25,460</u>	<u>\$(7,266)</u>

4. Deposits and Investments

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by Certificates of Deposit maturing no 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 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.

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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4. Deposits and Investments (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, *Deposits with Financial Institutions, Investments and Reverse*

LAKE LOCAL SCHOOL DISTRICT  
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4. Deposits and Investments (Continued)

*Repurchase Agreements.*

*Deposits:* At year end, the carrying amount of the District's deposits was \$(58,635) and the bank balance was \$190,290. Of the bank balance, \$100,000 was covered by federal depository insurance and \$90,290 was covered by collateral held by the depository, or by their trust department agent, but not in the District's name. Additionally at year end, the District had on deposit with a fiscal agent, \$1,153 for its bond and coupon account. The \$1,153 represents outstanding items not redeemed as of the combined balance sheet date and is offset by a corresponding liability on the District's combined balance sheet.

*Investments:* The District's investments are categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes insured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is unclassified since it is not evidenced by securities that exist in physical or book entry form. Investments at June 30, 1999 consisted only of STAR Ohio, which had a carrying and fair value of \$3,987,196.

5. 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 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 after 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 88 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 25 percent of true value.

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



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5. Property Taxes (Continued)

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 District receives property taxes from Stark County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 2000 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, 1999. 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 a deferred revenue for that portion not intended to finance current year operations. The amount available to the District as an advance at June 30, 1999, was \$409,240 and \$16,240 in the General and Debt Service Funds, respectively.

6. Interfund Activity

At June 30, 1999, outstanding interfund balances consisted of the following.

	Interfund <u>Receivables</u>	Interfund <u>Payables</u>
General Fund	\$8,685	\$ -
Enterprise Fund	-	1,573
Special Revenue Fund	-	578
Agency Fund	-	<u>6,534</u>
Total	<u>\$8,685</u>	<u>\$8,685</u>

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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7. Fixed Assets

A summary of the changes in the General Fixed Asset Account Group during the fiscal year is as follows:

	Balance 7/1/98	Additions	Disposals	Balance 6/30/99
Land and Land				
Improvements	\$2,101,296	\$ -	\$ -	\$2,101,296
Buildings and Building				
Improvements	8,767,761	-	-	8,767,761
Furniture, Fixtures, and Equipment	3,635,064	571,165	38,132	4,168,097
Textbooks and Library Books	844,165	-	-	844,165
Vehicles	<u>1,508,733</u>	<u>94,979</u>	<u>121,840</u>	<u>1,481,872</u>
Totals	<u>\$16,857,019</u>	<u>\$ 666,144</u>	<u>\$ 159,972</u>	<u>\$17,363,191</u>

A summary of the Enterprise Funds' fixed assets at June 30, 1999 is as follows:

	Balance 7/1/98	Additions	Disposals	Balance 6/30/99
Furniture, Fixtures, and Equipment	\$ 314,356	\$ 1,740	\$ -	\$ 316,096
Less: Accumulated Depreciation	<u>(260,583)</u>	<u>( 4,106)</u>	<u>-</u>	<u>(264,689)</u>
Net Fixed Assets	<u>\$ 53,773</u>	<u>\$ (2,366)</u>	<u>\$ -</u>	<u>\$ 51,407</u>

8. Long-Term Debt and Other Obligations

Debt outstanding at June 30, 1999 consisted of the following:

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General Obligation Bonds

LHS Addition and Lake Middle School

Principal Outstanding	\$180,000
Interest Rate	5.125 %
Issue Date	09/77
Maturity Date	12/99

School Improvement Bonds, Series 1993

Principal Outstanding	\$1,580,000
Interest Rate	4.78%
Issue Date	04/93
Maturity Date	12/03

Energy Conservation Improvement Bonds

Principal Outstanding	\$34,000
Interest Rate	4.40%
Issue Date	11/91
Maturity Date	12/99

School Bus Acquisition Bonds

Principal Outstanding	\$94,434
Interest Rate	5.10%
Issue Date	07/96
Maturity Date	12/01

Outstanding general obligation bonds consist of school building construction issues and school bus acquisition bonds. General obligation bonds are direct obligations of the District for which its full, faith, credit, and resources are pledged and are payable from taxes levied on all taxable property in the District. The Energy Conservation Improvement Bonds are long-term obligations issued under Chapter 133 Section 133.06(G).

LAKE LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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8. Long-Term Debt and Other Obligations (Continued)

The annual requirements to amortize all bonded debt outstanding as of June 30, 1999, including interest payments of \$223,804 are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Annual</u> <u>Requirement</u>
2000	\$ 611,398
2001	392,507
2002	392,526
2003	356,654
2004	<u>359,153</u>
Total	<u>\$2,112,238</u>

The following changes occurred in the General Long-Term Obligations Account Group during the year ended June 30, 1999:

	<u>Balance</u> <u>7/1/98</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/99</u>
G.O. Bonds Payable	\$2,404,908	\$ -	\$ 516,474	\$1,888,434
Compensated Absences Payable	616,355	40,925	-	657,280
Capital Lease Payable	646,586	-	52,716	593,870
Retirement Incentive Payable	0	60,000	-	60,000
Due to Other Governments	<u>154,264</u>	<u>11,632</u>	<u>-</u>	<u>165,896</u>
Total	<u>\$3,822,113</u>	<u>\$ 112,557</u>	<u>\$569,190</u>	<u>\$3,365,480</u>

9. Compensated Absences

The criteria for determining vacation and sick leave components derives from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon the length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 290 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit up to a

LAKE LOCAL SCHOOL DISTRICT  
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9. Compensated Absences (Continued)

maximum of 46 days for those employees with ten or more years of service, and 61 days for those employees with twenty or more years of service to the Board of Education. Additionally, \$10 is paid for each day of sick leave accumulated above 200 days, up to the maximum allowed.

For certificated employees who retired during the fiscal year, an additional retirement incentive payment of \$10,000 will be paid in January 2000.

10. Risk Management

*Comprehensive* - The District is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the District contracted with Indiana Insurance for property and fleet insurance, and inland marine coverage. Liability insurance is covered by Harcum Insurance. Coverage provided by these carriers is as follows:

Building and Contents-replacement cost (\$1,000 deductible) \$38,404,206

Inland Marine Coverage (\$100 deductible) Coverage based on items listed.

Automobile Liability - \$1,000,000

General Liability - \$2,000,000/ each occurrence \$5,000,000/ aggregate

Settled claims have not exceeded this commercial coverage in any of the past three years.

*Workers Compensation* - For fiscal year 1999, the District participated in a program with the Stark County Educational Service Center to obtain workers' compensation coverage. This program is administered by CompManagement, Inc. The experience of each of the participating school districts is calculated as one experience rate and applied to all participants in the program. Premiums paid to the State are based GRP. Each participant pays its workers' compensation premium to the State's Bureau of Workers' Compensation based on this calculation. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the program. A participant will then either receive money from or be required to contribute to the program. This "equity pooling" arrangement insures that each participant shares equally in the

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10. Risk Management (Continued)

overall performance of the program. Participation in the program is limited to school districts that can meet its selection criteria.

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

11. Defined Benefit Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The contribution rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$357,684, \$337,704, and \$319,578, respectively; 48 percent has been contributed for the fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$188,364 representing the unpaid contribution for the fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

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11. Defined Benefit Pension Plans (Continued)

B. State Teachers Retirement System

The District also contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 1999, plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$1,215,096, \$1,183,860, and \$1,144,296, respectively. 84% has been contributed for the fiscal year 1999 and 100% for the fiscal years 1998 and 1997. \$200,476 representing the unpaid contribution for the fiscal year 1999, is recorded as a liability within the respective funds.

12. Post Employment Benefits

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), 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 funded on a pay-as-you-go basis.

The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefits recipients pay a portion of the health care costs in the form of a monthly premium. By Ohio law, the cost of coverage paid from the STRS funds shall be included in the employer contributions rate, currently 14 percent of covered payroll. For the Fiscal year

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12. Post Employment Benefits (Continued)

ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$687,346.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund at year end was \$2.156 million. For the fiscal year ended June 30, 1998 (the latest information available), eligible benefit recipients totaled 91,999 and net health care costs paid by STRS were \$219,224,000

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll, an increase from 4.21 percent for fiscal year 1998. 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 1999, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14 percent employer contribution provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. For the fiscal year ended June 30, 1998 (the latest information available), net health care costs paid by SERS were \$111,900,575 and the target level was \$139.9 million. Net assets available for payment as of June 30, 1998 by the Retirement System were \$160.3 million, at cost. The number of participants currently receiving health care benefits is approximately 50,000. The portion of the District's contributions that were used to fund postemployment benefits was \$201,301.

13. Segment Information For Enterprise Funds

The District maintains four Enterprise Funds to account for the operations of food service, uniform school supplies, adult education, and summer camp. The table below reflects the more significant financial data relating to the Enterprise Funds of the District as of and for the fiscal year ended June 30, 1999.



LAKE LOCAL SCHOOL DISTRICT  
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13. Segment Information For Enterprise Funds (Continued)

	Food Service	School Supplies	Adult Education	Summer Camp	Total
Operating Revenues	\$380,997	\$99,181	\$26,025	\$66,022	\$572,225
Operating Expenses					
Before					
Depreciation	475,070	86,936	26,012	75,236	663,254
Depreciation Expense	4,106	-	-	-	4,106
Operating Income(Loss)	(97,688)	11,403	364	(9,214)	(95,135)
Nonoperating Revenues	68,507	-	-	-	87,862
Net Income (Loss)	(8,546)	7,878	3,159	(9,214)	(6,723)
Fixed Assets					
Additions	1,740	-	-	-	1,740
Net Working Capital	12,301	47,141	2,561	27,076	89,079
Total Assets	122,535	47,763	4,134	36,407	210,839
Total Equity	21,147	48,411	5,356	32,495	107,409
Encumbrances at June 30, 1999	-	7,933	-	93	8,026

14. Jointly Governed Organization

The District is a member of the Stark-Portage Area Computer Consortium (SPARCC), a jointly governed organization which provides computer services to school districts within the boundaries of Stark and Portage counties. Each district's superintendent serves as a representative on the Board consisting of approximately 31 member districts. SPARCC is primarily governed by a five member executive Board which is made up of two representatives from Stark County, two from Portage County, and a Treasurer. The Board meets monthly to address current issues.

LAKE LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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15. Contingencies

*Federal and State Assistance*

During the fiscal year, the District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 1999.

*School Funding Decision*

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$8,057,845 of school foundation support.

Since the Court's ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these general purpose financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future state funding under this program and on its financial operations.

LAKE LOCAL SCHOOL DISTRICT  
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16. Year 2000 Issue

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as fiscal year 1999.

The District has completed an inventory of computer systems and other electronic equipment that maybe effected by the year 2000 issue and that are necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)). The District has 4 buildings with power systems which have extensive efficiency measures within the systems.

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, and the State of Ohio Uniform Staff Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and nonfinancial information about the District through EMIS. The State is responsible for remediating these systems.

Stark County collects property taxes for distribution to the District. Stark County is responsible for remediating the tax collection system.

The District has received vendor assurance that the power systems in its buildings are believed to be Year 2000 compliant.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determined until the year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.

17. Capital Lease

In October of 1997, the District entered into a capital lease agreement with Vision Impact Corporation for equipment. The lease, which meets the criteria for capitalization under the Stat

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

17. Capital Lease (Continued)

Statement of Financial Accounting Standards No. 13, "Accounting for Leases", was recorded as an acquisition in the General Fixed Asset Account Group and as a liability in the General Long-Term Obligations Account Group. Principal payments during the fiscal year totaled \$52,716 in the General Fund.

The lease is for a term of 10 years and has an interest rate of 6.5 percent. Obligations under this lease and the net present value of the minimum lease payments at June 30, 1999 are as follows:

Total Payments Remaining	\$768,834
Less: Amount Representing Interest	<u>(174,964)</u>
Present Value of Net Minimum Lease Payments	<u>\$593,870</u>

18. Set Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by 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 purposes in future years. The School District is also required to set aside money for budget stabilization. Set-aside requirements for fiscal year 1999 are as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-Aside Cash Balance as of				
June 30, 1998	\$0	\$0	\$95,898	\$ 95,898
Current Year Set-Aside				
Requirement	272,187	272,187	136,094	680,468
Qualifying Disbursements	<u>(272,187)</u>	<u>(272,187)</u>	<u>0</u>	(544,374)
Total	<u>\$0</u>	<u>\$0</u>	<u>\$231,992</u>	
Set-aside Cash Balance as of	<u>\$0</u>	<u>\$0</u>	<u>\$231,992</u>	
June 30, 1999				
Total Restricted Assets				<u>\$231,992</u>

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

19. Subsequent Event

On November 2, 1999, the District passed a 6.5 mill bond issue needed for major school renovations. This will allow the district to issue \$26,390,000 in bonds with the principal to be retired over 27 years. On November 23, 1999, the Board of Education passed a resolution providing for the issuance and sale of \$26,390,000 notes in anticipation of the issuance of bonds.

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 1999

<u>FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE</u>	<u>PASS THROUGH ENTITY NUMBER</u>	<u>FEDERAL CFDA NUMBER</u>	<u>RECEIPTS</u>	<u>NON-CASH RECEIPTS</u>	<u>EXPENDITURES</u>	<u>NON-CASH EXPENDITURES</u>
<u>U.S. DEPARTMENT OF EDUCATION</u> (Passed Through Ohio Department of Education)						
Title I Grants to Local Educational Agencies	C1S198 C1S199	84.010	\$ 0 141,657	\$ 0 0	\$ 15,519 111,020	\$ 0 0
Total Title I Grants to Local Educational Agencies			141,657	0	126,539	0
Title VI-B - Special Education - Grants to States	6BSF98 6BSF99	84.027	0 153,520	0 0	15,238 145,657	0 0
Total Title VI-B - Special Education - Grants to States			153,520	0	160,895	0
Safe and Drug-Free Schools and Communities - State Grants	DRS198 DRS199	84.186	0 17,929	0 0	1,515 16,154	0 0
Total Safe and Drug-Free Schools and Communities - State Grants			17,929	0	17,669	0
Goals 2000 - State and Local Education Systemic Improvement Grants	C2S398 C2S399	84.276	(54,546) 79,546	0	137,454 49,189	0
Total Goals 2000 - State and Local Education Systemic Improvement Grants			25,000	0	186,623	0
Innovative Education Program Strategies	C2S198 C2S199	84.298	0 13,261	0 0	769 12,009	0 0
Total Innovative Education Program Strategies			13,261	0	12,778	0
Telecommunications Act Grant		84.XXX	9,791	0	9,791	0
Total U.S. Department of Education			361,158	0	514,295	0
<u>NATIONAL FOUNDATION ON THE ARTS AND HUMANITIES</u> (Passed Through State Library of Ohio)						
Public Library Services	I-O-9897	45.310	(1,215)	0	13,785	0
<u>U.S. DEPARTMENT OF AGRICULTURE</u> (Passed Through Ohio Department of Education)						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550	0	28,297	0	19,355
National School Lunch Program	N/A	10.555	63,158	0	63,158	0
Total U.S. Department of Agriculture - Child Nutrition Cluster			63,158	28,297	63,158	19,355
Total			<u>\$ 423,101</u>	<u>\$ 28,297</u>	<u>\$ 591,238</u>	<u>\$ 19,355</u>

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.



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OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

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## REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Lake Local School District  
Stark County  
12077 Lisa Avenue, NW  
Hartville, Ohio 44632

To the Board of Education:

We have audited the general purpose financial statements of Lake Local School District, Stark County, Ohio, (the District) as of and for the year ended, June 30, 1999, and have issued our report thereon dated November 30, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated November 30, 1999.

### Internal Control Over Financial Reporting

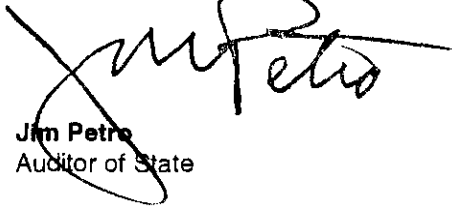
In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Lake Local School District  
Stark County  
Report of Independent Accountants on Compliance and on Internal  
Control Required by *Government Auditing Standards*  
Page 2

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 30, 1999.

This report is intended for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", is written over a circular stamp or seal that is partially obscured by the signature.

**Jim Petro**  
Auditor of State

November 30, 1999



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

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

Lake Local School District  
Stark County  
12077 Lisa Avenue, NW  
Hartville, Ohio 44632

To the Board of Education:

**Compliance**

We have audited the compliance of Lake Local School District, Stark County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

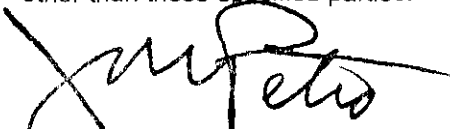
**Internal Control Over Compliance**

The management of District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

However, we noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 30, 1999.

This report is intended for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



**Jim Petro**  
Auditor of State

November 30, 1999

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**JUNE 30, 1999**

**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 weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions 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):	Goals 2000 - State and Local Education Systemic Improvement Grants
<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**

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



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LAKE LOCAL SCHOOL DISTRICT, STARK COUNTY

CLERK'S CERTIFICATION

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

By: \_\_\_\_\_

*Susan Babbitt*  
Clerk of the Bureau

Date: \_\_\_\_\_

**JAN 06 2000**