



**LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2002**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Balance Sheet - All Fund Types and Account Groups .....	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances All Governmental Fund Types and Similar Fiduciary Fund .....	8
Combined Statement of Revenues, Expenditures and Changes in Fund Balances, Budget - Actual (Budgetary Basis) All Governmental Fund Types and Similar Fiduciary Fund .....	12
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - Proprietary Fund Type .....	20
Combined Statement of Cash Flows Proprietary Fund Type .....	21
Notes to the General Purpose Financial Statements.....	23
Schedule of Receipts and Expenditures of Federal Awards.....	51
Notes to the Schedule of Receipts and Expenditures of Federal Awards .....	52
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	53
Report of Independent Accountants on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	55
Schedule of Findings.....	57

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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, 2002, 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 auditing standards generally accepted in the United States of America 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, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2002, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for 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. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized, cursive script.

**Jim Petro**  
Auditor of State

November 25, 2002

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LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
AS OF JUNE 30, 2002

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
<b><u>Assets and Other Debits</u></b>				
Cash, Cash Equivalents and Investments	\$ 6,486,927	\$ 359,128	\$ 709,690	\$ 20,409,378
Restricted Assets:				
Cash, Cash Equivalents and Investments	95,898	-	-	175,152
Receivables				
Taxes - Current	8,848,821	-	2,065,441	-
Taxes - Delinquent	143,679	-	30,702	-
Intergovernmental	-	63,111	-	-
Accounts	-	-	-	-
Interfund Receivable	7,209	-	-	-
Inventory Held for Resale	-	-	-	-
Property, Plant and Equipment (Net of Accumulated Depreciation)	-	-	-	-
Amount available in Debt Service Fund	-	-	-	-
Amount to be provided for Retirement of General Long-Term Obligations	-	-	-	-
<b>Total Assets and Other Debits</b>	<b><u>\$ 15,582,534</u></b>	<b><u>\$ 422,239</u></b>	<b><u>\$ 2,805,833</u></b>	<b><u>\$ 20,584,530</u></b>

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

PROPRIETARY FUND	FIDUCIARY FUNDS	ACCOUNT GROUPS		TOTALS (MEMO- RANDUM ONLY)
		GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
ENTERPRISE	TRUST AND AGENCY			
\$ 198,622	\$ 79,538	\$ -	\$ -	\$ 28,243,283
-	-	-	-	271,050
-	-	-	-	10,914,262
-	-	-	-	174,381
-	-	-	-	63,111
14,754	-	-	-	14,754
-	-	-	-	7,209
10,514	-	-	-	10,514
84,481	-	29,576,653	-	29,661,134
-	-	-	768,700	768,700
-	-	-	27,375,316	27,375,316
<b>\$ 308,371</b>	<b>\$ 79,538</b>	<b>\$ 29,576,653</b>	<b>\$ 28,144,016</b>	<b>\$ 97,503,714</b>

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
AS OF JUNE 30, 2002  
(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	\$ 87,375	\$ 15,468	\$ -	\$ -
Accrued Wages and Benefits	2,365,604	50,089	-	-
Compensated Absences Payable	55,011	-	-	-
Due To Other Governments	223,871	14,526	-	-
Deferred Revenue	8,766,278	40,653	2,037,133	-
Due To Students	-	-	-	-
General Obligation Bonds Payable	-	-	-	-
Capital Lease Payable	-	-	-	-
Contracts Payable	-	-	-	1,635,713
Retainage Payable	-	-	-	175,152
Interfund Payable	-	1,151	-	-
	<b>\$ 11,498,139</b>	<b>\$ 121,887</b>	<b>\$ 2,037,133</b>	<b>\$ 1,810,865</b>
<b>Total Liabilities</b>				
<b><u>Equity and Other Credits</u></b>				
Investment in General Fixed Assets	\$ -	\$ -	\$ -	\$ -
Retained Earnings : Unreserved	-	-	-	-
Fund Balances:				
Reserved for Encumbrances	167,149	48,473	-	13,571,386
Reserved for BWC Refund	95,898	-	-	-
Reserved for Property Taxes	227,720	-	59,010	-
Designation for Budget Stabilization	673,755	-	-	-
Unreserved - Undesignated	2,919,873	251,879	709,690	5,202,279
	<b>\$ 4,084,395</b>	<b>\$ 300,352</b>	<b>\$ 768,700</b>	<b>\$ 18,773,665</b>
<b>Total Equity and Other Credits</b>				
<b>Total Liabilities, Equity and Other Credits</b>	<b>\$ 15,582,534</b>	<b>\$ 422,239</b>	<b>\$ 2,805,833</b>	<b>\$ 20,584,530</b>

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

PROPRIETARY FUND	FIDUCIARY FUNDS	ACCOUNT GROUPS		TOTALS (MEMO- RANDUM ONLY)
		GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
ENTERPRISE	TRUST AND AGENCY			
\$ 2,129	\$ -	\$ -	\$ -	\$ 104,972
64,025	-	-	-	2,479,718
18,747	-	-	856,189	929,947
33,402	11	-	180,396	452,206
6,554	-	-	-	10,850,618
-	75,961	-	-	75,961
-	-	-	26,699,945	26,699,945
-	-	-	407,486	407,486
-	-	-	-	1,635,713
-	-	-	-	175,152
6,022	36	-	-	7,209
<b>\$ 130,879</b>	<b>\$ 76,008</b>	<b>\$ -</b>	<b>\$ 28,144,016</b>	<b>\$ 43,818,927</b>
\$ -	\$ -	\$ 29,576,653	\$ -	\$ 29,576,653
177,492	-	-	-	177,492
-	183	-	-	13,787,191
-	-	-	-	95,898
-	-	-	-	286,730
-	-	-	-	673,755
-	3,347	-	-	9,087,068
<b>\$ 177,492</b>	<b>\$ 3,530</b>	<b>\$ 29,576,653</b>	<b>\$ -</b>	<b>\$ 53,684,787</b>
<b>\$ 308,371</b>	<b>\$ 79,538</b>	<b>\$ 29,576,653</b>	<b>\$ 28,144,016</b>	<b>\$ 97,503,714</b>

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2002

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
<b>Revenues</b>				
Taxes	\$ 8,697,624	\$ -	\$ 2,022,935	\$ -
Tuition	88,348	5,142	-	-
Earnings on Investments	200,059	-	-	574,956
Intergovernmental	11,687,079	820,646	253,116	33
Extracurricular Activities	-	295,327	-	-
Miscellaneous	18,092	525	-	250,000
<b>Total Revenues</b>	<b>20,691,202</b>	<b>1,121,640</b>	<b>2,276,051</b>	<b>824,989</b>
<b>Expenditures</b>				
Instruction:				
Regular	9,461,915	121,810	-	42,055
Special	1,247,891	326,566	-	-
Vocational	260,398	36,303	-	-
Adult/continuing	-	1,115	-	539
Other	675,385	-	-	-
Support Services:				
Pupils	758,734	70,196	-	-
Instructional Staff	1,011,785	31,921	-	168,654
Board of Education	30,614	-	-	-
Administration	1,917,034	10,962	-	35,933
Fiscal	424,143	50	-	-
Business	58,558	-	-	-
Operations and Maintenance	1,784,219	-	-	-
Pupil Transportation	1,299,688	-	-	-
Central	51,291	65,167	-	41,452
Extracurricular Activities	486,360	170,521	-	-
Facilities Acquisition	41,360	-	-	6,242,398
Operation of Non-Instructional Services	43,256	218,849	-	-
Debt Service:				
Principal Retirement	60,013	-	633,056	-
Interest and Fiscal Charges	33,179	-	1,468,005	-
<b>Total Expenditures</b>	<b>19,645,823</b>	<b>1,053,460</b>	<b>2,101,061</b>	<b>6,531,031</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>
\$ -	\$ 10,720,559
-	93,490
-	775,015
-	12,760,874
296	295,623
24,693	293,310
<hr/>	<hr/>
<b>24,989</b>	<b>24,938,871</b>
<hr/>	<hr/>
7,605	9,633,385
-	1,574,457
-	296,701
-	1,654
-	675,385
276	829,206
9,983	1,222,343
-	30,614
-	1,963,929
-	424,193
-	58,558
-	1,784,219
-	1,299,688
-	157,910
-	656,881
-	6,283,758
-	262,105
-	693,069
-	1,501,184
<hr/>	<hr/>
<b>17,864</b>	<b>29,349,239</b>
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LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ 1,045,379	\$ 68,180	\$ 174,990	\$ (5,706,042)
<b><u>Other Financing Sources/ (Uses)</u></b>				
Pass-Through	(1,125)	-	-	-
Operating Transfers In	-	765	34,742	-
Operating Transfers Out	(35,452)	(55)	-	-
Refund of Prior Year Receipts	-	(197)	-	-
Refund of Prior Year Expenditures	387	5,538	-	-
<b>Total Other Financing Sources/ (Uses)</b>	<b>(36,190)</b>	<b>6,051</b>	<b>34,742</b>	<b>-</b>
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,009,189	74,231	209,732	(5,706,042)
<b>Fund Balances - July 1, 2001</b>	<b>3,075,206</b>	<b>226,121</b>	<b>558,968</b>	<b>24,479,707</b>
<b>Fund Balances - June 30, 2002</b>	<b>\$ 4,084,395</b>	<b>\$ 300,352</b>	<b>\$ 768,700</b>	<b>\$ 18,773,665</b>

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

FIDUCIARY FUND TYPE	TOTALS
EXPENDABLE TRUST	(MEMORANDUM ONLY)
\$ 7,125	\$ (4,410,368)
(10,000)	(11,125)
-	35,507
-	(35,507)
-	(197)
<u>5,927</u>	<u>11,852</u>
<b><u>(4,073)</u></b>	<b><u>530</u></b>
3,052	(4,409,838)
<u>478</u>	<u>28,340,480</u>
<b><u>\$ 3,530</u></b>	<b><u>\$ 23,930,642</u></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 FUND  
FOR THE YEAR ENDED JUNE 30, 2002

GENERAL FUND			
	REVISED BUDGET	ACTUAL	VARIANCE
<b><u>Revenues</u></b>			
Taxes	\$ 8,699,034	\$ 8,699,034	\$ -
Tuition	89,848	89,848	-
Earnings on Investments	200,059	200,059	-
Extracurricular Activities	-	-	-
Intergovernmental	11,687,079	11,687,079	-
Classroom Materials and Fees	-	-	-
Miscellaneous	18,092	18,092	-
<b>Total Revenues</b>	<b>20,694,112</b>	<b>20,694,112</b>	<b>-</b>
 <b><u>Expenditures</u></b>			
Instruction:			
Regular	9,493,187	9,493,187	-
Special	1,236,195	1,236,195	-
Vocational	260,333	260,333	-
Adult/Continuing	-	-	-
Other	675,385	675,385	-
Support Services:			
Pupils	771,806	771,806	-
Instructional Staff	1,037,552	1,037,552	-
Board of Education	30,649	30,649	-
Administration	1,953,141	1,953,141	-
Fiscal	422,588	422,588	-
Business	64,835	64,835	-
Operations and Maintenance	1,894,857	1,894,857	-
Pupil Transportation	1,336,693	1,336,693	-
Central	45,124	45,124	-
Operation of Non-Instructional Services	44,649	44,649	-
Facilities Acquisition	55,648	55,648	-
Extracurricular Activities	485,471	485,471	-
Debt Service:			
Principal Retirement	-	-	-
Interest and Fiscal Charges	-	-	-
<b>Total Expenditures</b>	<b>\$ 19,808,113</b>	<b>\$ 19,808,113</b>	<b>\$ -</b>

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

SPECIAL REVENUE FUNDS				DEBT SERVICE FUND			
REVISED			VARIANCE	REVISED			VARIANCE
BUDGET	ACTUAL			BUDGET	ACTUAL		
\$ -	\$ -	\$ -	-	\$ 2,022,965	\$ 2,022,965	\$ -	-
5,142	5,142	-	-	-	-	-	-
525	525	-	-	-	-	-	-
295,865	295,865	-	-	-	-	-	-
790,408	790,408	-	-	253,116	253,116	-	-
5,566	5,566	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<b>1,097,506</b>	<b>1,097,506</b>	-	-	<b>2,276,081</b>	<b>2,276,081</b>	-	-
124,350	124,350	-	-	-	-	-	-
330,659	330,659	-	-	-	-	-	-
36,701	36,701	-	-	-	-	-	-
1,430	1,430	-	-	-	-	-	-
-	-	-	-	-	-	-	-
82,743	82,743	-	-	-	-	-	-
38,379	38,379	-	-	-	-	-	-
-	-	-	-	-	-	-	-
11,391	11,391	-	-	-	-	-	-
50	50	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
69,033	69,033	-	-	-	-	-	-
256,621	256,621	-	-	-	-	-	-
-	-	-	-	-	-	-	-
178,730	178,730	-	-	-	-	-	-
-	-	-	-	633,056	633,056	-	-
-	-	-	-	1,473,574	1,473,574	-	-
<b>\$ 1,130,087</b>	<b>\$ 1,130,087</b>	<b>\$ -</b>	<b>-</b>	<b>\$ 2,106,630</b>	<b>\$ 2,106,630</b>	<b>\$ -</b>	<b>-</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 FUND  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)

	GENERAL FUND		
	REVISED BUDGET	ACTUAL	VARIANCE
<b>Excess (Deficit) of Revenues Over (Under) Expenditures</b>	\$ 885,999	\$ 885,999	\$ -
<b><u>Other Financing Sources/ (Uses)</u></b>			
Refund of Prior Year Expenditures	386	386	-
Pass -Through	(1,125)	(1,125)	-
Advances In	23,786	23,786	-
Advances Out	(7,209)	(7,209)	-
Operating Transfers In	1,522,260	-	1,522,260
Operating Transfers Out	(1,557,712)	(35,452)	(1,522,260)
<b>Total Other Financing Sources/ (Uses)</b>	<b>(19,614)</b>	<b>(19,614)</b>	-
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	866,385	866,385	-
Prior year encumbrances appropriated	236,433	236,433	-
<b>Fund Balances - July 1, 2001</b>	<b>5,297,859</b>	<b>5,297,859</b>	-
<b>Fund Balances - June 30, 2002</b>	<b>\$ 6,400,677</b>	<b>\$ 6,400,677</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	
\$ (32,581)	\$ (32,581)	\$ -		\$ 169,451	\$ 169,451	\$ -	
5,538	5,538	-		-	-	-	
(197)	(197)	-		-	-	-	
1,151	1,151	-		-	-	-	
(5,510)	(5,510)	-		-	-	-	
765	765	-		34,742	34,742	-	
(55)	(55)	-		-	-	-	
<b>1,692</b>	<b>1,692</b>	<b>-</b>		<b>34,742</b>	<b>34,742</b>	<b>-</b>	
(30,889)	(30,889)	-		204,193	204,193	-	
46,820	46,820	-		-	-	-	
281,087	281,087	-		499,927	499,927	-	
<b>\$ 297,018</b>	<b>\$ 297,018</b>	<b>\$ -</b>		<b>\$ 704,120</b>	<b>\$ 704,120</b>	<b>\$ -</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 FUND  
FOR THE YEAR ENDED JUNE 30, 2002

(Continued)

CAPITAL PROJECTS FUND

	REVISED BUDGET	ACTUAL	VARIANCE
<b>Revenues</b>			
Taxes	\$ -	\$ -	\$ -
Tuition	-	-	-
Earnings on Investments	211,658	211,658	-
Extracurricular Activities	-	-	-
Intergovernmental	33	33	-
Classroom Materials and Fees	-	-	-
Miscellaneous	250,000	250,000	-
<b>Total Revenues</b>	<b>461,691</b>	<b>461,691</b>	<b>-</b>
<b>Expenditures</b>			
Instruction:			
Regular	42,055	42,055	-
Special	-	-	-
Vocational	-	-	-
Adult/Continuing	539	539	-
Other	-	-	-
Support Services:			
Pupils	-	-	-
Instructional Staff	-	-	-
Board of Education	-	-	-
Administration	42,014	42,014	-
Fiscal	-	-	-
Business	-	-	-
Operations and Maintenance	-	-	-
Pupil Transportation	-	-	-
Central	78,542	78,542	-
Operation of Non-Instructional Services	-	-	-
Facilities Acquisition	18,918,432	18,918,432	-
Extracurricular Activities	-	-	-
Debt Service:			
Principal Retirement	-	-	-
Interest and Fiscal Charges	-	-	-
<b>Total Expenditures</b>	<b>\$ 19,081,582</b>	<b>\$ 19,081,582</b>	<b>\$ -</b>

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	
\$ -	\$ -	\$ -	-	\$ 10,721,999	\$ 10,721,999	\$ -	-
-	-	-	-	94,990	94,990	-	-
-	-	-	-	412,242	412,242	-	-
296	296	-	-	296,161	296,161	-	-
-	-	-	-	12,730,636	12,730,636	-	-
-	-	-	-	5,566	5,566	-	-
17,693	17,693	-	-	285,785	285,785	-	-
<b>17,989</b>	<b>17,989</b>	<b>-</b>	<b>-</b>	<b>24,547,379</b>	<b>24,547,379</b>	<b>-</b>	<b>-</b>
11,809	11,809	-	-	9,671,401	9,671,401	-	-
-	-	-	-	1,566,854	1,566,854	-	-
-	-	-	-	297,034	297,034	-	-
-	-	-	-	1,969	1,969	-	-
-	-	-	-	675,385	675,385	-	-
276	276	-	-	854,825	854,825	-	-
10,179	10,179	-	-	1,086,110	1,086,110	-	-
-	-	-	-	30,649	30,649	-	-
-	-	-	-	2,006,546	2,006,546	-	-
-	-	-	-	422,638	422,638	-	-
-	-	-	-	64,835	64,835	-	-
-	-	-	-	1,894,857	1,894,857	-	-
-	-	-	-	1,336,693	1,336,693	-	-
-	-	-	-	192,699	192,699	-	-
-	-	-	-	301,270	301,270	-	-
-	-	-	-	18,974,080	18,974,080	-	-
-	-	-	-	664,201	664,201	-	-
-	-	-	-	633,056	633,056	-	-
-	-	-	-	1,473,574	1,473,574	-	-
<b>\$ 22,264</b>	<b>\$ 22,264</b>	<b>\$ -</b>	<b>-</b>	<b>\$ 42,148,676</b>	<b>\$ 42,148,676</b>	<b>\$ -</b>	<b>-</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 FUND  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)

CAPITAL PROJECTS FUND			
	REVISED BUDGET	ACTUAL	VARIANCE
<b>Excess (Deficit) of Revenues Over (Under) Expenditures</b>	\$ (18,619,891)	\$ (18,619,891)	\$ -
<b><u>Other Financing Sources/ (Uses)</u></b>			
Refund of Prior Year Expenditures	-	-	-
Pass Through	-	-	-
Advances In	-	-	-
Advances Out	-	-	-
Operating Transfers In	-	-	-
Operating Transfers Out	-	-	-
<b>Total Other Financing Sources/ (Uses)</b>	-	-	-
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(18,619,891)	(18,619,891)	-
Prior year encumbrances appropriated	2,909,037	2,909,037	-
<b>Fund Balances - July 1, 2001</b>	21,977,587	21,977,587	-
<b>Fund Balances - June 30, 2002</b>	\$ 6,266,733	\$ 6,266,733	\$ -

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	
\$ (4,275)	\$ (4,275)	\$ -		\$ (17,601,297)	\$ (17,601,297)	\$ -	
5,927	5,927	-		11,851	11,851	-	
(10,000)	(10,000)	-		(11,322)	(11,322)	-	
-	-	-		24,937	24,937	-	
(5,800)	(5,800)	-		(18,519)	(18,519)	-	
-	-	-		1,557,767	35,507	1,522,260	
-	-	-		(1,557,767)	(35,507)	(1,522,260)	
<b>(9,873)</b>	<b>(9,873)</b>	<b>-</b>		<b>6,947</b>	<b>6,947</b>	<b>-</b>	
(14,148)	(14,148)	-		(17,594,350)	(17,594,350)	-	
5,569	5,569	-		3,197,859	3,197,859	-	
11,926	11,926	-		28,068,386	28,068,386	-	
<b>\$ 3,347</b>	<b>\$ 3,347</b>	<b>\$ -</b>		<b>\$ 13,671,895</b>	<b>\$ 13,671,895</b>	<b>\$ -</b>	

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
RETAINED EARNINGS - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2002

	ENTERPRISE FUND
<b><u>Operating Revenues</u></b>	
Tuition and Fees	\$ 119,285
Food Services	502,281
Classroom Materials and Supplies	113,038
	<b>734,604</b>
<b><u>Operating Expenses</u></b>	
Salaries	346,825
Fringe Benefits	82,629
Purchased Services	45,291
Materials and Supplies	416,684
Other Expenses	1,442
Depreciation Expense	7,135
	<b>900,006</b>
<b>Total Operating Revenues</b>	
<b>Total Operating Expenses</b>	<b>900,006</b>
Operating Loss	(165,402)
<b><u>Nonoperating Revenues/ (Expenses)</u></b>	
Earnings on Investment	2,825
Loss on Disposal of Assets	(454)
Federal Donated Commodities	35,595
Intergovernmental Revenues	107,785
	<b>145,751</b>
<b>Total Nonoperating Revenues/(Expenses)</b>	<b>145,751</b>
<b>Net Loss</b>	(19,651)
Retained Earnings - July 1, 2001	197,143
	<b>177,492</b>
<b>Retained Earnings - June 30, 2002</b>	<b>\$ 177,492</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  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2002

	<u>ENTERPRISE FUND</u>
<b><u>Cash Flows from Operating Activities</u></b>	
Operating Loss	\$ (165,402)
Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities:	
Depreciation	7,135
<i>(Increase) Decrease in Assets:</i>	
Accounts and other receivables	(13,931)
Inventory held for resale	(246)
Materials and supplies inventory	1,532
<i>Increase (Decrease) in Liabilities:</i>	
Accounts payable	(6,617)
Accrued wages and benefits	167
Compensated absences payable	10,813
Deferred revenue	(533)
Interfund loans payable	(5,840)
Due to other governments	8,579
Total Adjustments	<u>1,059</u>
Net cash used in operating activities	(164,343)
<b><u>Cash Flows from Noncapital Financing Activities</u></b>	
Intergovernmental revenues	107,785
Federal Donated Commodities	35,595
Earnings on Investment	<u>2,825</u>
Net cash provided by noncapital financing activities	<u>146,205</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Capital asset acquisitions	<u>(13,175)</u>
Net cash used in capital and related financing activities	(13,175)
Net increase in cash and cash equivalents	(31,313)
Cash and cash equivalents - July 1, 2001	<u>229,935</u>
<b>Cash and cash equivalents - June 30, 2002</b>	<b><u>\$ 198,622</u></b>

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

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LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002

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

A 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, departments, boards, and agencies that are legally separate from the District. For the district, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally entitled to or can otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District does not have any component units. The District is associated with organizations which are defined as a jointly governed organization and public entity risk pools. These organizations include the Stark/Portage Area Computer Consortium (SPARCC), and the Stark County Schools Council of Government's Health Benefits Program. These organizations are presented in Notes 10 and 14 to the general purpose financial statements.

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 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.

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002

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 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.

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:

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002

2. Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

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.

Proprietary Fund Type

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

Enterprise Fund

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.

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002

2. Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

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

The 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.

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.

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEART ENDED JUNE 30, 2002

2. Summary of Significant Accounting Policies (Continued)

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 Funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the 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 Funds 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 contributed capital and retained earnings components. Proprietary Fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002

2. Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

The available period for the District is 60 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, 2002, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2003 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 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 function 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.

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002

2. Summary of Significant Accounting Policies (Continued)

C. Budgetary Process (Continued)

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 2002.

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 and function 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 a fund must be approved by the Board of Education.

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002

2. Summary of Significant Accounting Policies (Continued)

C. Budgetary Process (Continued)

Appropriations (Continued)

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 reported as a reservation of fund balance for subsequent year end expenditures of Governmental Funds.

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 Funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "cash, cash equivalents and investments" on the combined balance sheet.

During fiscal year 2002, investments were limited to STAR Ohio.

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002

2. Summary of Significant Accounting Policies (Continued)

D. Cash and Investments (Continued)

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2002. 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, 2002.

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, Capital Projects, and Enterprise Funds during fiscal year 2002 amounted to \$200,059, \$574,956, and \$2,825.

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 Funds 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.

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002

2. Summary of Significant Accounting Policies (Continued)

F. Fixed Assets and Depreciation (Continued)

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 and equipment in the Enterprise Fund is computed using the straight-line method over estimated useful lives of 8 to 20 years.

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 II

Title VI

Title VI-R

Title VI-B Flow Through

Capital Projects Fund

School Net

Reimbursable Grants

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002

2. Summary of Significant Accounting Policies (Continued)

G. Intergovernmental Revenues (Continued)

General Fund

State Aid – Bus Reimbursement

Telecommunications Act Grant (E-Rate)

Enterprise Fund

National School Lunch Program

Government Donated Commodities

Grants and entitlements amounted to approximately 49 percent of the District’s operating and nonoperating revenue during the 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 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.

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002

2. Summary of Significant Accounting Policies (Continued)

I. Compensated Absences (Continued)

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 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 and BWC refund. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002

2. Summary of Significant Accounting Policies (Continued)

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 set aside as a result of Bureau of Worker's Compensation refunds. See Note 17.

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 Fund is 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).

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002

3. Budgetary Basis of Accounting (Continued)

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.

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	\$ 866,385	\$(30,889)	\$204,193	\$(18,619,891)	\$(14,148)
Adjustments for Revenue Accruals	(2,910)	24,134	(30)	363,298	7,000
Adjustments for Expenditure Accruals	(19,859)	14,518	5,569	(1,592,093)	4,217
Adjustments for Advances In/Out	(16,577)	4,359	-	-	5,800
Adjustments for Encumbrances	<u>182,150</u>	<u>62,109</u>	<u>-</u>	<u>14,142,644</u>	<u>183</u>
GAAP Basis	<u>\$1,009,189</u>	<u>\$ 74,231</u>	<u>\$209,732</u>	<u>\$(5,706,042)</u>	<u>\$ 3,052</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.

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002

4. Deposits and Investments (Continued)

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.

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 2 percent and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interest rated in either of the two highest rating classifications by at least two nationally recognized ratings agencies.

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002

4. Deposits and Investments (Continued)

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 Repurchase Agreements*.

*Deposits:* At year end, the carrying amount of the District's deposits was \$1,194,832 and the bank balance was \$1,286,661. \$175,152 was held by a third party for retainers payable to contractors. Of the bank balance, \$200,000 was covered by federal depository insurance and \$1,086,661 was uninsured and uncollateralized. Although all statutory requirements for the deposits of money had been followed, non compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

*Investments:* The District's investments are categorized below to give an indication of the level of custodial credit 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, 2002 consisted only of STAR Ohio, which had a carrying and fair value of \$27,144,349.

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 25 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 24 percent of true value.

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002

5. Property Taxes (Continued)

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

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

The District receives property taxes from Stark County and Portage 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, 2002, are available to finance fiscal year 2002 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, 2002. 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, 2002, was \$227,720 and \$59,010 in the General and Debt Service Funds, respectively.

6. Interfund Activity

At June 30, 2002, outstanding interfund balances consisted of the following.

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$7,209	\$ -
Enterprise Fund	-	6,022
Special Revenue Fund	-	1,151
Agency Fund	-	36
Total	<u>\$7,209</u>	<u>\$ 7,209</u>

7. Fixed Assets

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

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002

7. Fixed Assets (Continued)

	Balance 7/1/01	Additions	Disposals	Balance 6/30/02
Land and Land Improvements	\$2,101,296	\$541,250	\$ -	\$ 2,642,546
Buildings and Building Improvements	8,767,761	3,737,623	89,704	12,415,680
Furniture, Fixtures, And Equipment	4,782,697	417,220	51,839	5,148,078
Textbooks and Library Books	844,165	-	71,354	772,811
Vehicles	1,773,011	233,444	80,640	1,925,815
Construction in Progress	<u>4,244,841</u>	<u>6,164,505</u>	<u>3,737,623</u>	<u>6,671,723</u>
Totals	<u>\$22,513,771</u>	<u>\$11,094,042</u>	<u>\$ 4,031,160</u>	<u>\$29,576,653</u>

A summary of the Enterprise Funds' fixed assets at June 30, 2002 is as follows:

	Balance 7/1/01	Additions	Disposals	Balance 6/30/02
Furniture, Fixtures, and Equipment	\$ 351,148	\$ 13,175	\$(4,545)	\$ 359,778
Less: Accumulated Depreciation	<u>(272,253)</u>	<u>(7,135)</u>	<u>4,091</u>	<u>(275,297)</u>
Net Fixed Assets	<u>\$ 78,895</u>	<u>\$ 6,040</u>	<u>\$ (454)</u>	<u>\$ 84,481</u>

8. Long-Term Debt and Other Obligations

Debt outstanding at June 30, consisted of the following:

General Obligation Bonds

School Improvement Bonds, Series 2000

Principal Outstanding	\$26,019,945
Interest Rate	5.80 %
Issue Date	03/00
Maturity Date	12/26

School Improvement Bonds, Series 1993

Principal Outstanding	\$680,000
Interest Rate	4.78%
Issue Date	04/93
Maturity Date	12/03

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002

8. Long-Term Debt and Other Obligations (Continued)

Outstanding general obligation bonds consist of school building construction issues. 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 annual requirements to amortize all bonded debt outstanding as of June 30, 2002, including interest payments of \$25,100,263, are as follows:

<u>Year Ending June 30</u>	<u>Annual Requirement</u>
2003	\$ 2,101,357
2004	2,137,103
2005	1,862,143
2006	1,901,785
2007	1,953,188
Thereafter	<u>41,844,632</u>
Total	<u>\$51,800,208</u>

The following changes occurred in the General Long-Term Obligations Account Group during the year ended June 30, 2002:

	<u>Balance 7/1/01</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/02</u>
G.O. Bonds Payable	\$27,333,001	\$ -	\$ 633,056	\$26,699,945
Compensated Absences Payable	697,657	158,532	-	856,189
Retirement Incentive Payable	30,000	-	30,000	-
Capital Lease Payable	477,610	-	70,124	407,486
Due to Other Governments	<u>187,828</u>	-	<u>7,432</u>	<u>180,396</u>
Total	<u>\$28,726,096</u>	<u>\$158,532</u>	<u>\$740,612</u>	<u>\$28,144,016</u>

9. Compensated Absences

The criteria for determining vacation and sick leave components derives from negotiated agreements and State laws. Classified employees earn 10 to 25 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.

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002

9. Compensated Absences (Continued)

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 maximum of 46 days for those employees with 10 or more years of service, and 61 days for those employees with 20 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.

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 2002, the District contracted with Indiana Insurance for property and fleet insurance, and inland marine coverage. The District also contracted with Nationwide Insurance through Harcum-Hyre Insurance Agency for liability insurance. Coverage provided by this carrier is as follows:

Building and Contents-replacement cost (\$1,000 deductible) \$48,309,654

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 2002, the District participated in a program with the Stark County Schools Council of Government 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 overall performance of the program. Participation in the program is limited to school districts that can meet its selection criteria.

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002

10. Risk Management (Continued)

*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 Medical Mutual 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, 300 East Broad, Suite 100, Columbus, Ohio 43215-3746.

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; 5.46% was the portion used to fund pension obligations. For fiscal year 2001, 4.2% 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, 2002, 2001 and 2000 were \$449,251, \$406,965, and \$380,435, respectively. 49% has been contributed for the fiscal year 2002 and 100% for fiscal years 2001 and 2000. \$229,296 representing the unpaid contribution for the fiscal year 2002, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002

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 administered by the State Teachers Retirement Board. 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.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. 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, 2002, 2001, and 2000 were \$1,402,852, \$1,279,322, and \$1,218,954, respectively. 83% has been contributed for the fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$243,772 representing the unpaid contribution for the fiscal year 2002, 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.

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002

12. Post Employment Benefits (Continued)

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 ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund at year end was \$3.256 million. For the fiscal year ended June 30, 2001 (the latest information available), eligible benefit recipients totaled 102,132 and net health care costs paid by STRS were \$300,772,000

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 25 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 8.54 percent of covered payroll, a decrease of 1.26% from the prior year. 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 2002, the minimum pay was 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 150 percent of annual health care expenses. For the fiscal year ended June 30, 2001 (the latest information available), net health care costs paid by SERS were \$161,439,934 and the target level was \$242.2 million. Net assets available for payment as of June 30, 2001 by the Retirement System were \$315.7 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 \$314,476.

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, 2002.

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002

13. Segment Information For Enterprise Funds (Continued)

	Food Service	School Supplies	Adult Education	Summer Camp	Total
Operating Revenues	\$502,130	\$113,188	\$ 13,533	\$105,753	\$734,604
Operating Expenses					
Before Depreciation	626,953	117,620	14,289	134,009	892,871
Depreciation Expense	7,135	-	-	-	7,135
Operating Income(Loss)	(131,957)	(4,432)	(756)	(28,257)	(165,402)
Nonoperating Revenues	145,751	-	-	-	145,751
Net Income (Loss)	19,634	(10,272)	(756)	(28,257)	(19,651)
Fixed Assets Additions	13,175	-	-	-	13,175
Net Working Capital	71,781	55,257	(69)	(24,456)	102,513
Total Assets	239,642	63,408	3	5,318	308,371
Total Equity	146,760	55,257	(69)	(24,456)	177,492
Encumbrances at June 30, 2002	444	9,109	-	361	9,914

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.

15. Contingencies and Commitments

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, 2002.

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002

15. Contingencies and Commitments

*School Funding Decision*

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

The District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002

16. Capital Lease

In October of 1997, the District entered into a capital lease agreement with Vision Impact Capital for equipment. The lease, which meets the criteria for capitalization under the 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 \$60,013 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, 2002 are as follows:

Year Ended	<u>Amounts</u>
<u>June 30</u>	
2003	\$ 93,192
2004	93,192
2005	93,192
2006	93,192
2007	93,192
Later Years	<u>23,298</u>
Total minimum payments received	<u>\$489,258</u>

Total Payments Remaining	\$489,258
Less: Amount Representing Interest	<u>(81,772)</u>
Present Value of Net Minimum Lease Payments	<u>\$407,486</u>

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002

17. Statutory Reserves

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purpose in future years. Set-aside requirements for fiscal year 2002 are as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-Aside Cash Balance as of June 30, 2001	\$ (68,969)	\$ -
Current Year Set-Aside Requirements	396,602	396,602
Qualifying Disbursements	<u>(608,050)</u>	<u>(811,148)</u>
Total	<u>\$(280,417)</u>	<u>\$(414,546)</u>
Cash Balance Carried Forward to Fiscal Year 2003	<u>\$(280,417)</u>	

The District had qualifying disbursements during the year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements for future years.

Although, the District had offsets and qualifying disbursements during the year that reduced the capital acquisition set-aside amount below zero, this extra amount may not be used to reduce the set-aside requirement for future years.

Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and a reserved fund balance in the General Fund since allowable expenditures are restricted by state statute. The balance of BWC refunds was \$95,898 as of June 30, 2002. The non-BWC portion totaling \$677,755 will be reflected as a designation of fund balance.

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**LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$35,595	\$0	\$35,379
National School Lunch Program	LL-P4-2002	10.555	89,227	0	89,227	0
<b>Total U.S. Department of Agriculture - Nutrition Cluster</b>			<b>89,227</b>	<b>35,595</b>	<b>89,227</b>	<b>35,379</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF-2002 6B-SF-2001P	84.027	232,131 0	0 0	208,651 8,475	0 0
<b>Total Special Education Cluster</b>			<b>232,131</b>	<b>0</b>	<b>217,126</b>	<b>0</b>
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-2002 C1-S1-2001	84.010	129,105 0	0 0	115,512 24,148	0 0
<b>Total Grants to Local Educational Agencies</b>			<b>129,105</b>	<b>0</b>	<b>139,660</b>	<b>0</b>
Drug-Free Schools Grant	DR-S1-2002 DR-S1-2001	84.186	13,761 0	0 0	12,936 4,252	0 0
<b>Total Drug-Free Schools Grant</b>			<b>13,761</b>	<b>0</b>	<b>17,188</b>	<b>0</b>
Class Size Reduction	CR-S1-2002 CR-S1-2001	84.340	40,270 0	0 0	36,193 7,454	0 0
<b>Total Class Size Reduction</b>			<b>40,270</b>	<b>0</b>	<b>43,647</b>	<b>0</b>
Eisenhower Professional Development State Grant (Title II, Part B)	MS-S1-2002 MS-S1-2001	84.281	12,079 1,086	0 0	5,508 1,328	0 0
<b>Total Eisenhower Professional Development State Grant</b>			<b>13,165</b>	<b>0</b>	<b>6,836</b>	<b>0</b>
Innovative Educational Program Strategies (ESEA Title VI)	C2-S1-2002 C2-S1-2001	84.298	5,350 0	0 0	138 1,255	0 0
<b>Total Innovative Education Program Strategies</b>			<b>5,350</b>	<b>0</b>	<b>1,393</b>	<b>0</b>
Goals 2000 - State and Local Education Systemic Improvement Grants	G2-S2-2002	84.276	15,000	0	3,881	0
Vocational Education - Basic Grants to State	CP-111-502-093	84.048	26,227	0	36,701	0
<b>Total Ohio Department of Education</b>			<b>475,009</b>	<b>0</b>	<b>466,432</b>	<b>0</b>
<b>Totals</b>			<b>\$564,236</b>	<b>\$35,595</b>	<b>\$555,659</b>	<b>\$35,379</b>

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

**LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2002**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Receipts and Expenditures of Federal Awards (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, 2002, the District had no significant food commodities in inventory.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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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, 2002, and have issued our report thereon dated November 25, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 other immaterial matters of noncompliance that we have reported to management of the District in a separate letter dated November 25, 2002.

### 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.

However, we noted other matters involving the internal control over the 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 25, 2002.

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". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

**Jim Petro**  
Auditor of State

November 25, 2002



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 ON 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, 2002. 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to 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, the 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, 2002.

**Internal Control Over Compliance**

The management of the District is responsible for establishing and maintained 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 the 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 reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to 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.

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 25, 2002

**LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
JUNE 30, 2002**

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

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





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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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.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 2, 2003**