

LAKE LOCAL SCHOOL DISTRICT

WOOD COUNTY

Audit Report

For the Year Ended June 30, 2011

CHARLES E. HARRIS & ASSOCIATES, INC.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

Board of Education
Lake Local School District
2249 Tracy Road
Northwood, Ohio 43447

We have reviewed the *Report of Independent Accountants* of the Lake Local School District, Wood County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

March 6, 2012

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LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY
AUDIT REPORT
For the Year Ending June 30, 2011

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Certified Public Accountants

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REPORT OF INDEPENDENT ACCOUNTANTS

Lake Local School District
Wood County
2249 Tracy Road
Northwood, Ohio 43447

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lake Local School District, Wood County (the District), as of and for the fiscal year ended June 30, 2011, which collectively comprise the Lake Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lake Local School District, Wood County, Ohio as of June 30, 2011, and the respective changes in its modified cash basis financial position and the budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2011, on our consideration of the Lake Local School District, Wood County, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lake Local School District, Wood County, Ohio's financial statements as a whole. The accompanying schedule of federal award expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of federal awards expenditures is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Charles E. Harris & Associates, Inc.
December 9, 2011

LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2011
(Unaudited)

The discussion and analysis of Lake Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011, within the limitations of the modified cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2011 are as follows:

- Net assets of governmental activities increased by \$9,627,804 which represents a 170.43% increase from fiscal year 2010. The District received \$18,417,072 in insurance recoveries. Without this, net assets would have decreased by \$8,789,268.
- General revenues accounted for \$32,327,696 in revenue or 89.6% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$3,735,828 or 10.4% of total revenues of \$36,063,524.
- The District had \$26,425,473 in expenses related to governmental activities; only \$3,735,828 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$32,327,696 were also used to provide for these programs.

USING THE BASIC FINANCIAL STATEMENTS

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

REPORT COMPONENTS

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

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

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

LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the fiscal year ended June 30, 2011
(Unaudited)

BASIS OF ACCOUNTING

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

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

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2011, within the limitations of the modified cash basis of accounting. The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

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

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

LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the fiscal year ended June 30, 2011
(Unaudited)

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

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

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

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

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

Table 1 provides a summary of the School District's net assets for fiscal year 2011 compared to fiscal year 2010.

Table 1
Net Assets

	Governmental Activities	
	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Cash and cash equivalents	\$14,298,582	\$ 5,448,648
Investments	<u>978,490</u>	<u>200,620</u>
<u>Total Assets</u>	<u>15,277,072</u>	<u>5,649,268</u>
<u>Net Assets</u>		
Restricted	13,239,034	3,036,389
Unrestricted	<u>2,038,038</u>	<u>2,612,879</u>
<u>Total Net Assets</u>	<u>\$15,277,072</u>	<u>\$ 5,649,268</u>

As mentioned previously, total net assets increased \$9,627,804. The primary reason for this is that the District received \$18,417,072 in insurance recoveries.

LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the fiscal year ended June 30, 2011
(Unaudited)

Table 2 reflects the changes in net assets for fiscal years 2011 and 2010.

TABLE 2
Change in Net Assets

	<u>Governmental Activities</u>		<u>Net Increase</u>
	<u>2011</u>	<u>2010</u>	<u>(Decrease)</u>
<u>Revenue</u>			
<u>Program Revenues:</u>			
Charges for services and sales	\$ 1,332,875	\$ 1,257,288	\$ 75,587
Operating grants, contributions and interest	1,759,571	1,772,895	(13,324)
Capital grants, contributions and interest	643,382	-	643,382
<u>Total Program Revenues</u>	<u>3,735,828</u>	<u>3,030,183</u>	<u>705,645</u>
<u>General Revenues:</u>			
Property Taxes	7,434,004	7,345,227	88,777
Payment in lieu of taxes	49,612	46,000	3,612
Grants and entitlements	6,395,940	6,170,132	225,808
Interest	28,622	23,345	5,277
Gifts and donations	-	4,079	(4,079)
Proceeds from sale capital assets	300	25	275
Refund of prior year disbursements	-	2,167	(2,167)
Miscellaneous	2,146	-	2,146
Insurance recoveries	18,417,072	2,500,000	15,917,072
<u>Total General Revenues</u>	<u>32,327,696</u>	<u>16,090,975</u>	<u>16,236,721</u>
<u>Total Revenues</u>	<u>36,063,524</u>	<u>19,121,158</u>	<u>16,942,366</u>
<u>Expenditures</u>			
Instruction	10,053,615	9,277,814	775,801
<u>Support services:</u>			
Pupils	597,725	568,127	29,598
Instructional staff	647,747	689,342	(41,595)
Board of Education	587,456	75,510	511,946
Administration	1,117,896	1,109,749	8,147
Fiscal	478,474	474,369	4,105
Operation and maintenance of plant	1,386,348	1,619,335	(232,987)
Pupil transportation	979,904	902,029	77,875
Central	503,943	160,911	343,032
Non-Instructional	23,340	27,825	(4,485)
Food service operations	506,197	565,171	(58,974)
Extracurricular Activities	973,318	818,992	154,326
Intergovernmental disbursements	10,247	-	10,247
Capital outlay	7,386,997	384,063	7,002,934
Debt service - Principal	776,237	763,187	13,050
Interest and fiscal charges	406,276	624,216	(217,940)
<u>Total Expenditures</u>	<u>26,435,720</u>	<u>18,060,640</u>	<u>8,375,080</u>
<u>Increase (Decrease) in Net Assets</u>	<u>\$ 9,627,804</u>	<u>\$ 1,060,518</u>	<u>\$ 8,567,286</u>

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the fiscal year ended Jun 30, 2011
(Unaudited)

Program receipts account for 10.4 percent of total receipts and are represented by restricted intergovernmental receipts, extracurricular activities, and food service sales.

The major program disbursements for governmental activities are for instruction, which accounts for 38.0 percent of all governmental disbursements. Other programs which support the instruction process including pupils, instructional staff, and pupil transportation account for 8.4 percent of governmental disbursements. Capital outlay also represents a significant disbursement of 28.0 percent. The remaining 25.6 percent of the District's disbursement are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes and grants and entitlements.

Governmental Activities

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

TABLE 3
Governmental Activities

	<u>2011</u>		<u>2010</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$10,053,615	\$ 8,098,883	\$ 9,277,814	\$ 7,426,923
<u>Support Services</u>				
Pupils	597,725	590,943	568,127	563,776
Instructional staff	647,747	563,876	689,342	610,090
Board of Education	587,456	587,456	75,510	75,510
Administration	1,117,896	1,029,330	1,109,749	1,049,910
Fiscal	478,474	478,474	474,369	474,369
Plant Operation and Maintenance	1,386,348	1,377,248	1,619,335	1,610,190
Pupil transportation	979,904	962,226	902,029	774,521
Central	503,943	498,943	160,911	155,911
Non-instructional	23,340	23,340	27,825	(16,987)
Food service operations	506,197	70,586	565,171	78,311
Extracurricular activities	973,318	482,212	818,992	456,467
Intergovernmental disbursements	10,247	10,247	-	-
Capital outlay	7,386,997	6,743,615	384,063	384,063
Principal	776,237	776,237	763,187	763,187
Interest and fiscal charges	406,276	406,276	624,216	624,216
<u>Total Government Activities</u>	<u>\$26,435,720</u>	<u>\$22,699,892</u>	<u>\$18,060,640</u>	<u>\$ 15,030,457</u>

The School District is dependent upon tax revenues for governmental activities. Over 80% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 86%. The community, as a whole, is the primary support for Lake Local School District students.

LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the fiscal year ended June 30, 2011
(Unaudited)

The School District's Funds

The School District's governmental funds are accounted for using the modified cash basis of accounting. Total governmental funds (excluding transfers and advances) had receipts of \$36,063,525 and disbursements of \$26,435,720. The greatest change within governmental funds occurred within the Building Fund as the result of receiving \$18,417,072 in insurance recoveries.

BUDGETARY HIGHLIGHTS

The School District prepares an annual budget of revenues and expenditures for all funds of the School District for use by School District officials and department heads and prepares such other budgetary documents as are required by State statute, including the annual appropriations ordinance which is effective the first day of July. The School District's most significant budgeted fund is the General Fund. During the course of fiscal year 2011, the School District amended its General Fund budget as needed.

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

Debt Administration

Debt

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

At June 30, 2011, the District had \$11,627,451 due from school improvement general obligation and energy conservation bonds, including accretion on capital appreciation bonds.

Note 14 provides additional details regarding debt.

CURRENT ISSUES

On June 7, 2010 the Lake Schools campus was directly hit by an F4 tornado completely destroying the High School and damaging the adjacent Middle School and Elementary School as well as most of the outdoor athletic facilities. By June 30, 2010 the District received \$2,500,000 in advance of repairing school facilities. After June 30, 2010 repairs were completed to the two primary buildings and athletic facilities, and arrangements were made to house the High School at a nearby community college facility.

Ground breaking for the new High School began in March 2011. Construction is on schedule and we expect to have the students in the new building for the start of the 2012 school year in late August.

LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the fiscal year ended June 30, 2011
(Unaudited)

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

From an on-going operational standpoint, the state of Ohio had been projecting and warning for the past two years of an 8 billion dollar budget deficit. Realizing that Education funding would be reduced in the 2012/2013 state biennium budget, the District began making cuts totaling \$400,000 in 2011 and nearly \$1,000,000 in 2012. This was done primarily by negotiating lower rates for special education services from the County Educational Service Center, teacher and classified union concessions, administrator pay freezes, and the elimination of certain administration and teacher positions. Still, the District is scheduled to lose almost 2.2 million dollars over the next two years in Federal and State Funding levels over fiscal year 2011. To counter this loss, the District will place a 5 year operating levy on the ballot in November 2011.

The Board is carefully monitoring this situation. Even with levy passage, more cuts and concessions will need to be made. Without levy passage, the cuts will need to be more severe.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the School District's finances for all those interested in the School District's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Jeffrey L. Carpenter, Treasurer, Lake Local School District, 2249 Tracy Road, Northwood, Ohio 43447-9747.

Lake Local School District
Wood County

Statement of Net Assets - Modified Cash Basis
June 30, 2011

	Governmental <u>Activities</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ 14,298,582
Investments	<u>978,490</u>
<i>Total Assets</i>	<u><u>15,277,072</u></u>
NET ASSETS:	
Restricted for Debt Service	598,421
Restricted for Capital Outlay	12,346,715
Restricted for Other Purposes	131,769
Restricted for Set Asides	104,992
Restricted for Bus Purchases	56,337
Restricted - Other	800
Unrestricted	<u>2,038,038</u>
<i>Total Net Assets</i>	<u><u>\$ 15,277,072</u></u>

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

Lake Local School District
Wood County

Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2011

	Program Receipts			Net (Disbursements)/ Receipts and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants	Capital Grants	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 7,971,757	\$ 675,172	\$ 642,171	\$ -	\$ (6,654,414)
Special	1,823,429	-	636,801	-	(1,186,628)
Vocational	203,421	-	-	-	(203,421)
Student Intervention Program	588	-	588	-	-
Other	54,420	-	-	-	(54,420)
Support Services:					
Pupils	597,725	6,771	11	-	(590,943)
Instructional Staff	647,747	-	83,871	-	(563,876)
Board of Education	587,456	-	-	-	(587,456)
Administration	1,117,896	-	88,566	-	(1,029,330)
Fiscal	478,474	-	-	-	(478,474)
Operation and Maintenance of Plant	1,386,348	-	9,100	-	(1,377,248)
Pupil Transportation	979,904	-	17,678	-	(962,226)
Central	503,943	-	5,000	-	(498,943)
Operation of Non-Instructional Services	23,340	-	-	-	(23,340)
Food Service Operations	506,197	159,826	275,785	-	(70,586)
Extracurricular Activities	973,318	491,106	-	-	(482,212)
Intergovernmental Disbursements	10,247	-	-	-	(10,247)
Capital Outlay	7,386,997	-	-	643,382	(6,743,615)
Debt Service					
Principal	776,237	-	-	-	(776,237)
Interest and Fiscal Charges	406,276	-	-	-	(406,276)
<i>Total Governmental Activities</i>	<u>\$ 26,435,720</u>	<u>\$ 1,332,875</u>	<u>\$ 1,759,571</u>	<u>\$ 643,382</u>	<u>(22,699,892)</u>
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purposes					6,276,804
Property Taxes, Levied for Capital Outlay					260,425
Property Taxes, Levied for Debt Service					896,775
Payments in Lieu of Taxes					49,612
Grants and Entitlements not Restricted to Specific Programs					6,395,940
Miscellaneous					2,146
Investment Earnings					28,622
Proceeds from Sale of Capital Assets					300
Insurance Recoveries					18,417,072
<i>Total General Revenues</i>					<u>32,327,696</u>
<i>Change in Net Assets</i>					9,627,804
<i>Net Assets Beginning of Year</i>					<u>5,649,268</u>
<i>Net Assets End of Year</i>					<u>\$ 15,277,072</u>

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

Lake Local School District
Wood County

Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
June 30, 2011

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Building Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:					
Equity in Pooled Cash and Cash Equivalents	\$ 1,059,548	\$ 598,421	\$12,346,699	\$ 132,585	\$ 14,137,253
Investments	978,490	-	-	-	978,490
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	<u>161,329</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>161,329</u>
<i>Total Assets</i>	<u>2,199,367</u>	<u>598,421</u>	<u>12,346,699</u>	<u>132,585</u>	<u>15,277,072</u>
FUND BALANCES:					
Restricted	161,329	598,421	12,346,699	132,585	13,239,034
Assigned	55,127	-	-	-	55,127
Unassigned	<u>1,982,911</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,982,911</u>
<i>Total Fund Balances</i>	<u>\$ 2,199,367</u>	<u>\$ 598,421</u>	<u>\$ 12,346,699</u>	<u>\$ 132,585</u>	<u>\$ 15,277,072</u>

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

Lake Local School District
Wood County

Statement of Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis
Governmental Funds

For the Fiscal Year Ended June 30, 2011

	General Fund	Bond Retirement Fund	Building Fund	All Other Governmental Funds	Total Governmental Funds
RECEIPTS:					
Property and Other Local Taxes	\$ 6,276,804	\$ 896,775	\$ -	\$ 260,425	\$ 7,434,004
Intergovernmental	6,121,417	209,490	-	1,824,604	8,155,511
Interest	24,097	-	-	4,525	28,622
Tuition and Fees	524,015	-	-	-	524,015
Extracurricular Activities	174,301	-	-	269,157	443,459
Gifts and Donations	19,333	-	643,382	181,177	843,892
Customer Sales and Services	2,341	-	-	162,551	164,892
Payments in Lieu of Taxes	-	-	-	49,612	49,612
Miscellaneous	2,146	-	-	-	2,146
<i>Total Receipts</i>	<u>13,144,454</u>	<u>1,106,265</u>	<u>643,382</u>	<u>2,752,051</u>	<u>17,646,153</u>
DISBURSEMENTS					
Current:					
Instruction:					
Regular	6,818,149	-	436,241	717,367	7,971,757
Special	1,262,929	-	-	560,500	1,823,429
Vocational	203,421	-	-	-	203,421
Student Intervention Services	-	-	-	588	588
Other	-	-	54,420	-	54,420
Support Services:					
Pupils	565,455	-	-	32,270	597,725
Instructional Staff	546,382	-	-	101,365	647,747
Board of Education	69,065	-	518,391	-	587,456
Administration	1,029,330	-	-	88,566	1,117,896
Fiscal	458,243	15,311	-	4,920	478,474
Operation and Maintenance of Plant	1,371,299	-	3,375	11,674	1,386,348
Pupil Transportation	777,349	-	98,645	103,910	979,904
Central	142,342	-	360,827	774	503,943
Operation of Non-Instructional Services	-	-	5,517	17,823	23,340
Food Service Operations	-	-	-	506,197	506,197
Extracurricular Activities	361,729	-	858	610,731	973,318
Intergovernmental Disbursements	-	-	-	10,247	10,247
Capital Outlay	105	-	7,360,063	26,829	7,386,997
Debt Service:					
Principal	-	700,000	-	76,237	776,237
Interest	-	377,900	-	28,376	406,276
<i>Total Disbursements</i>	<u>13,605,798</u>	<u>1,093,211</u>	<u>8,838,337</u>	<u>2,898,374</u>	<u>26,435,720</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(461,344)</u>	<u>13,054</u>	<u>(8,194,955)</u>	<u>(146,323)</u>	<u>(8,789,568)</u>
OTHER FINANCING SOURCES AND USES:					
Transfers In	-	-	-	15,477	15,477
Advances In	-	-	-	61,872	61,872
Proceeds on Sale of Capital Assets	300	-	-	-	300
Insurance Recoveries	-	-	18,417,072	-	18,417,072
Transfers Out	(15,477)	-	-	-	(15,477)
Advances Out	(61,872)	-	-	-	(61,872)
<i>Total Other Financing Sources and Uses</i>	<u>(77,049)</u>	<u>-</u>	<u>18,417,072</u>	<u>77,349</u>	<u>18,417,372</u>
<i>Net Change in Fund Balances</i>	(538,393)	13,054	10,222,117	(68,974)	9,627,804
<i>Fund Balance at Beginning of Year - Restated</i>	<u>2,737,760</u>	<u>585,367</u>	<u>2,124,582</u>	<u>201,559</u>	<u>5,649,268</u>
<i>Fund Balance at End of Year</i>	<u>\$ 2,199,367</u>	<u>\$ 598,421</u>	<u>\$ 12,346,699</u>	<u>\$ 132,585</u>	<u>\$ 15,277,072</u>

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

Lake Local School District
Wood County

Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS:				
Property and Other Local Taxes	\$ 6,163,300	\$ 6,291,390	\$ 6,276,804	\$ (14,586)
Intergovernmental	6,334,000	6,334,000	6,121,417	(212,583)
Interest	25,000	25,000	24,097	(903)
Tuition and Fees	579,100	580,400	524,015	(56,385)
Extracurricular Activities	151,320	193,570	174,301	(19,269)
Gifts and Donations	10,950	28,425	19,333	(9,092)
Customer Sales and Services	5,000	5,000	2,341	(2,659)
Miscellaneous	725	725	2,146	1,421
<i>Total Receipts</i>	<u>13,269,395</u>	<u>13,458,510</u>	<u>13,144,454</u>	<u>(314,056)</u>
DISBURSEMENTS:				
Current:				
Instruction:				
Regular	7,168,658	7,069,985	6,825,211	244,774
Special	1,293,182	1,327,359	1,278,740	48,619
Vocational	185,990	218,010	204,284	13,726
Support Services:				
Pupils	593,775	606,753	571,545	35,208
Instructional Staff	936,662	614,481	549,786	64,695
Board of Education	159,248	160,828	75,169	85,659
Administration	1,199,535	1,141,038	1,048,300	92,738
Fiscal	480,375	473,039	458,773	14,266
Operation and Maintenance of Plant	1,505,434	1,507,984	1,424,657	83,327
Pupil Transportation	811,515	840,563	799,456	41,107
Central	172,113	159,769	145,642	14,127
Extracurricular Activities:				
Academic Oriented Activities	94,790	82,603	77,871	4,732
Sport Oriented Activities	375,980	348,402	283,858	64,544
Capital Outlay	-	105	105	-
<i>Total Disbursements</i>	<u>14,977,257</u>	<u>14,550,919</u>	<u>13,743,397</u>	<u>807,522</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,707,862)</u>	<u>(1,092,409)</u>	<u>(598,943)</u>	<u>(1,121,578)</u>
OTHER FINANCING SOURCES AND USES:				
Transfers In	33,408	33,408	-	(33,408)
Proceeds from Sale of Capital Assets	-	-	300	300
Refund of Prior Year Expenditures	10,000	10,000	-	(10,000)
Transfers Out	(28,408)	(128,408)	(15,477)	112,931
Advances Out	-	(65,000)	(61,872)	3,128
<i>Total Other Financing Sources and Uses</i>	<u>15,000</u>	<u>(150,000)</u>	<u>(77,049)</u>	<u>72,951</u>
<i>Net Change in Fund Balances</i>	(1,692,862)	(1,242,409)	(675,992)	(1,048,627)
<i>Fund Balance (Deficit) at Beginning of Year</i>	2,446,727	2,446,727	2,446,727	-
<i>Prior Year Encumbrances Appropriated</i>	<u>245,408</u>	<u>245,408</u>	<u>245,408</u>	<u>-</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 999,273</u>	<u>\$ 1,449,726</u>	<u>\$ 2,016,143</u>	<u>\$ (1,048,627)</u>

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

Lake Local School District
Wood County

Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
June 30, 2011

	Private Purpose Trust Fund	Agency Fund
ASSETS:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 736,607	\$ 36,820
<i>Total Assets</i>	\$ 736,607	\$ 36,820
 NET ASSETS:		
Held for Student Activities	\$ -	\$ 36,820
Held in Trust for Scholarships	736,607	-
<i>Total Net Assets</i>	\$ 736,607	\$ 36,820

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

Lake Local School District
Wood County

Statement of Changes in Fiduciary Net Assets - Modified Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2011

	Private Purpose Trust Fund
ADDITIONS:	
Gifts and Contributions	\$ 300
Interest	<u>27,647</u>
<i>Total Additions</i>	<u>27,947</u>
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>33,775</u>
<i>Total Deductions</i>	<u>33,775</u>
<i>Change in Net Assets</i>	(5,828)
<i>Net Assets Beginning of Year</i>	<u>742,435</u>
<i>Net Assets End of Year</i>	<u><u>\$ 736,607</u></u>

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

LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - REPORTING ENTITY

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

The District is located in a rural community in Northwest Ohio. It is staffed by 61 non-certificated employees, 101 certificated teaching personnel and 10 administrative employees who provide services to 1,734 students and other community members.

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

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

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

The District's management believes these financial statements present all activities for which the District is financially accountable.

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

LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Although required by Ohio Administrative Code Sections 117-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the modified cash basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for good and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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

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

B. Basis of Presentation

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

1. Government-Wide Financial Statements

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

The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible.

LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

1. Government-Wide Financial Statements (Continued)

Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the modified cash basis or draws from the School District's general receipts.

2. Fund Financial Statements

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

C. Fund Accounting

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

1. Governmental Funds

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

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

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

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

LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

1. Governmental Funds (Continued)

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

2. Fiduciary Fund Types

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

D. Budgetary Process

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

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

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

LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

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

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

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

During 2011, the School District invested in nonnegotiable certificates of deposit, federal agency securities, a money market fund, and STAR Ohio. Investments are reported at cost, except for the federal agency security, and money market fund. The School District's federal agency security and money market fund investment is recorded at fair market value at June 30, 2011. 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, 2011.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$24,097.

F. Restricted Assets

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

LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

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

K. Long-Term Obligations

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

L. Net Assets

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

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

LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance

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

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

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

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

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

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

N. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are presented as advances.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Extraordinary Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

The School District received \$18,417,072 in insurance recoveries during the year. This was due to the tornado damage that the School sustained. The insurance recoveries were used during fiscal year 2011 to begin building and repairing school facilities.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as non-spendable, restricted, committed, assigned, and/or unassigned.

	<u>General</u>	Bond Retirement <u>Fund</u>	Building <u>Fund</u>	Other <u>Governmental</u>	Total Governmental <u>Funds</u>
Fund Balance at:					
June 30, 2010	\$2,692,135	\$585,367	\$2,124,582	\$247,184	\$ 5,649,268
Change in Fund Structure	<u>45,625</u>	<u>-</u>	<u>-</u>	<u>(45,625)</u>	<u>-</u>
Adjusted Fund Balance at June 30, 2010	<u>\$2,737,760</u>	<u>\$585,367</u>	<u>\$2,124,582</u>	<u>\$201,559</u>	<u>\$5,649,268</u>

NOTE 4 - COMPLIANCE

Ohio Administrative Code, Section 117-2-03(B), required the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However the School District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time.

LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Expenditures, and Changes in Fund Balance - Budget and Actual - Budgetary Basis presented for the General fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the modified cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than assigned or committed fund balance for that portion of outstanding encumbrances (modified cash basis). Also, funds budgeted elsewhere are excluded on the budget basis in the General Fund.

The General Fund encumbrances outstanding at year end (budgetary basis) amounted to \$128,805.

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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

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

At year end, the School District had \$4,550 in un-deposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$10,182,462 of the School District's bank balance of \$10,987,489 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

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

LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Investments - As of June 30, 2011, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Federal Home Loan Mortgage Corp.	\$ 978,490	1/15/12
STAR Ohio	<u>4,134,988</u>	Less than 90 days
Total Investments	<u>\$5,113,478</u>	

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

STAR Ohio carries a rating of AAA by Standard and Poor's. The Federal Home Loan Mortgage Corporation Bond carries a rating of AAA by Moody's and Standard and Poor's.

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

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

NOTE 7 - PROPERTY TAXES

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

Real property tax receipts received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after October 1, 2010 on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE 7 - PROPERTY TAXES (Continued)

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

Public utility property tax receipts received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after October 1, 2010 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal is currently assessed at varying percentages of true value.

The tangible personal property tax has been phased out. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2009 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. The assessment percentage for all property, including inventory, for 2010 and 2011 is zero percent.

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

The School District receives property taxes from Wood and Ottawa Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2011 are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2011 taxes were collected are:

	<u>2010 Second-Half Collections</u>		<u>2011 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Property	\$227,427,770	95.42%	\$225,930,850	95.20%
Public Utility	<u>10,916,640</u>	<u>4.58</u>	<u>11,401,810</u>	<u>4.80</u>
Total Assessed Value	<u>\$238,344,410</u>	<u>100.00%</u>	<u>\$237,332,660</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$59.81		\$59.41	

LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 8 - INTERFUND TRANSFERS / ADVANCES

During the year ended June 30, 2011, the District transferred \$15,477 from the General Fund, a Major Governmental Fund, to the following Non-major Governmental Funds:

Early Childhood PSPS	\$ 2,676
Gifted Identification Grant	6,426
Gifted ID	1,299
Title 1	<u>5,076</u>
 Total	 <u>\$15,477</u>

During the year ended June 30, 2011, the District advanced \$61,872 from the General Fund, a Major Governmental Fund, to the Permanent Improvement Fund, a Non-major Governmental Fund.

NOTE 9 - PAYMENT IN LIEU OF TAXES

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

NOTE 10 - RISK MANAGEMENT

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

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

There have been no significant reductions in insurance coverage from fiscal year 2010, and settled claims, if any, have not exceeded coverage in any of the past three years.

LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 10 - RISK MANAGEMENT (Continued)

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

A. State Teachers Retirement System (Continued)

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

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for the School District's member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009, were \$781,010, \$794,184. and \$754,960 respectively; 83 percent has been contributed for fiscal year 2011, and 100 percent for fiscal years 2010 and 2009.

B. School Employees Retirement System

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

LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System (Continued)

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent of annual covered salary was the portion used to fund pension obligations and .04 percent for death benefits. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 was \$211,367, \$218,970, and \$148,531, respectively; 44 percent has been contributed for fiscal year 2011, and 100 percent for fiscal years 2010 and 2009.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2011, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

A. State Teachers Retirement System (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$60,078, \$61,091, and \$58,074 respectively; 83 percent has been contributed for fiscal year 2011, and 100 percent for fiscal years 2010 and 2009.

B. School Employees Retirement System

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

Medicare Part B Plan - The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contributions rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation is .76%. The District's contributions for the fiscal years ended June 30, 2011, 2010, and 2009 were \$13,602, \$13,022, and \$12,255, respectively; 44 percent has been contributed for 2011 and 100 percent has been contributed for fiscal years 2010 and 2009.

Health Care Plan- ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

B. School Employees Retirement System (Continued)

Health Care Plan (Continued)

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contributions to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were \$25,593, \$27,882, and \$67,974 respectively; 44 percent has been contributed for 2011 and 100 percent has been contributed for fiscal years 2010 and 2009.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare Part B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

NOTE 13 - LEASES

The School District leases copiers from MT Technologies. The School District also leases school buses and has a building lease with Owens Community College. The School District disbursed \$354,424 to pay lease costs for the year ended June 30, 2011.

<u>Year Ending</u> <u>June 30,</u>	<u>Copier Lease</u> <u>Amount</u>	<u>School Buses</u> <u>Amount</u>	<u>Building Lease</u> <u>Amount</u>
2012	\$ 45,904	\$ 136,325	\$ 13,750
2013	22,952	136,325	-
2014	-	136,325	-
2015	-	<u>136,325</u>	<u>-</u>
Total	<u>\$ 68,856</u>	<u>\$ 545,300</u>	<u>\$ 13,750</u>

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 14 - DEBT

The changes in the School District's long-term obligations during fiscal year 2011 were as follows:

	Principal Outstanding <u>6/30/10</u>	<u>Additions</u>	<u>Deductions</u>	Principal Outstanding <u>6/30/11</u>	Amounts Due in <u>One Year</u>
General Obligation Bonds:					
Middle School Bonds					
Interest Rate 4.2% - 5.2%	\$ 1,490,000	\$ -	\$540,000	\$ 950,000	\$575,000
Capital Appreciation Bonds	444,995			444,995	
Accretion on Capital Appreciation Bonds	576,760	53,286		630,046	
2007 Refunding					
Serial Bonds 4.0%	6,890,000		160,000	6,730,000	165,000
Term Bonds 4.0%	1,185,000			1,185,000	
Capital Appreciation Bonds	574,990			574,990	
Accretion on Capital Appreciation Bonds	344,018	138,085		482,103	
Energy Conservation Improvement Bonds					
Interest Rate - 4.125%	<u>706,554</u>	<u>-</u>	<u>76,237</u>	<u>630,317</u>	<u>79,347</u>
 Total General Long Term Obligations	 <u>\$12,212,317</u>	 <u>\$191,371</u>	 <u>\$776,237</u>	 <u>\$11,627,451</u>	 <u>\$819,347</u>

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

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

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 14 - DEBT (Continued)

Principal and interest requirements to retire obligation bonds outstanding at June 30, 2011, were as follows:

Middle School Renovation General Obligation Bonds - 2001

Fiscal Year Ending June 30,	Serial Bond Principal	Serial Bond Interest	Capital Appreciation Principal	Capital Appreciation Interest	Total
2012	\$575,000	\$ 32,725	\$ -	\$ -	\$ 607,725
2013	-	19,500	231,586	363,414	614,500
2014	-	19,500	213,409	381,591	614,500
2015	-	19,500	-	-	19,500
2016	<u>375,000</u>	<u>9,750</u>	<u>-</u>	<u>-</u>	<u>384,750</u>
Total	<u>\$950,000</u>	<u>\$100,975</u>	<u>\$444,995</u>	<u>\$745,005</u>	<u>\$2,240,975</u>

Middle School Renovation Refunding Bonds - 2007

Fiscal Year Ending June 30,	Serial Bond Principal	Serial Bond Interest	Term Bond Principal	Term Bond Interest	Capital Appreciation Principal	Capital Appreciation Interest	Total
2012	\$ 165,000	\$ 286,500	\$ -	\$ 26,800	\$ -	\$ -	\$ 478,300
2013	170,000	279,800	-	26,800	-	-	476,600
2014	180,000	272,800	-	26,800	-	-	479,600
2015	-	269,200	-	26,800	259,935	520,065	1,076,000
2016	-	269,200	-	26,800	117,337	287,663	701,000
2017-2021	3,340,000	1,085,400	-	134,000	197,718	587,282	5,344,400
2022-2026	<u>2,875,000</u>	<u>237,500</u>	<u>1,185,000</u>	<u>110,300</u>	<u>-</u>	<u>-</u>	<u>4,407,800</u>
Total	<u>\$6,730,000</u>	<u>\$2,700,400</u>	<u>\$1,185,000</u>	<u>\$378,300</u>	<u>\$574,990</u>	<u>\$1,395,010</u>	<u>\$12,963,700</u>

The annual requirements to amortize energy conservation note outstanding as of June 30, 2011 are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 79,347	\$ 25,266	\$104,613
2013	82,721	21,892	104,613
2014	86,168	18,445	104,613
2015	89,759	14,854	104,613
2016	93,472	11,141	104,613
2017-2018	<u>198,850</u>	<u>10,376</u>	<u>209,226</u>
	<u>\$630,317</u>	<u>\$101,974</u>	<u>\$732,291</u>

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 15 - FUND BALANCES

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

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

	<u>General</u>	Bond Retirement <u>Fund</u>	Building <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<u>FUND BALANCE</u>					
<u>Non-spendable</u>					
Scholarship	\$ -	\$ -	\$ -	\$ 800	\$ 800
<u>Restricted for:</u>					
Food Service Operations	-	-	-	3,420	3,420
Athletics / Music	-	-	-	98,623	98,623
Education Management					
Information System	-	-	-	11,071	11,071
Instruction	-	-	-	18,655	18,655
Debt Service	-	598,421	-	-	598,421
Budget Stabilization	22,919	-	-	-	22,919
Textbooks	82,073	-	-	-	82,073
Bus purchases	56,337	-	-	-	56,337
Capital Improvements	-	-	12,346,699	16	12,346,715
<u>Total Restricted</u>	<u>161,329</u>	<u>598,421</u>	<u>12,346,699</u>	<u>132,585</u>	<u>13,239,034</u>
<u>Assigned for:</u>					
School Supplies	3,874	-	-	-	3,874
Educational Activities	51,253	-	-	-	51,253
<u>Total Assigned for:</u>	<u>55,127</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,127</u>
<u>Unassigned</u>	<u>1,982,911</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,982,911</u>
<u>TOTAL FUND BALANCE</u>	<u>\$ 2,199,367</u>	<u>\$ 598,421</u>	<u>\$12,346,699</u>	<u>\$ 132,585</u>	<u>\$15,277,072</u>

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 16 - SET ASIDE REQUIRMENTS

The District is required by state statute to annually set aside in the general fund an amount based on a statutory formula for the purpose of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purpose in future years. In prior years, the District was also required to set aside money for budget stabilization. The following cash basis information identifies the changes in the fund balance reserves for textbook, capital improvements and budget stabilization during fiscal year 2011.

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>
Balance 7/1/2010	\$ (30,600)	\$ -	\$ 22,919
Required Set-Aside	241,592	241,592	-
Qualifying Cash Disbursements	<u>(128,919)</u>	<u>(241,592)</u>	<u>-</u>
Totals	<u>\$ 82,073</u>	<u>\$ -</u>	<u>\$ 22,919</u>
Amount carried forward to Future Fiscal Years	<u>\$ 82,073</u>	<u>\$ -</u>	<u>\$ 22,919</u>
Set Aside Reserve Balance - June 30, 2011	<u>\$ 82,073</u>	<u>\$ -</u>	<u>\$ 22,919</u>

The School District had qualifying disbursements that offset the required set aside for Capital Maintenance reserve for the year. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. The positive fund balance is therefore shown as restricted fund balance.

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended Ohio Revised Code § 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. S.B. 345 places special restrictions on the use of Bureau of Workers Compensation (BWC) rebate money remaining in the budget stabilization as of April 10, 2001, which is \$22,919 at June 30, 2011.

Amount restricted for textbooks	\$ 82,073
Amount restricted for budget stabilization	<u>22,919</u>
	<u>\$104,992</u>

LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Computer Association

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

Northern Buckeye Education Council

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

Total disbursements made by the School District to Northern Buckeye Education Council during this fiscal year were approximately \$281,380. These payments include services for NWOCA. Financial information can be obtained from the Northern Buckeye Educational Council, 209 Nolan Parkway, Archbold, Ohio 43502.

Penta Career Center

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

LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

The Northwest Ohio Educational Council

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

Ohio Schools Council

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

NOTE 18 - INSURANCE PURCHASING POOL

Ohio Association of School Business Officials Group Rating Program

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

Wood County Insurance Consortium

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

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

LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE 18 - INSURANCE PURCHASING POOL (Continued)

Northwest Ohio Educational Council Self Insurance Pool

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

NOTE 19 - CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

Litigation

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

Lake Local School District
Wood County
Schedule of Federal Awards Expenditures
For the Year Ending June 30, 2011

Federal Grantor/Pass Through Grantor Number/Program Title	CFDA Number	Federal Receipts	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
<u>Nutrition Cluster:</u>			
<i>Passed through Ohio Department of Agriculture:</i>			
<i>Cash Assistance:</i>			
National School Lunch Program:	10.555	\$ 221,295	\$ 221,295
School Breakfast Program	10.553	47,611	47,611
<i>Direct Program:</i>			
<i>Non-Cash Assistance:</i>			
National School Lunch Program (Commodities)	10.555	46,556	46,556
Total Nutrition Cluster		<u>315,462</u>	<u>315,462</u>
Total U.S. Department of Agriculture		<u>315,462</u>	<u>315,462</u>
<u>U.S. Department of Education</u>			
<i>Passed through Ohio Department of Education</i>			
<u>Title I, Part A Cluster:</u>			
Title I Grants to Local Educational Agencies -FY10	84.010	-	14,300
Title I Grants to Local Educational Agencies -FY11	84.010	290,376	210,439
ARRA Title IA - Federal Stimulus - FY11	84.389	75,107	6,720
Total Title I, Part A Cluster		<u>365,483</u>	<u>231,459</u>
ARRA Education Stabilization - FY11	84.394	324,020	290,367
IDEA - B, Special Education - Assistance to States			
IDEA-B - FY 10	84.027	30,373	-
IDEA-B - FY 11	84.027	300,624	300,624
ARRA IDEA-B Stimulus - FY10	84.391	109,334	4,690
ARRA IDEA-B Stimulus - FY11	84.391	12,744	122,582
Total IDEA-B - Special Education - Assistance to States		<u>453,075</u>	<u>427,896</u>
Safe and Drug-Free Schools - FY11	84.186	11	4,040
Title II-D Technology - FY10			
Title II-D Technology - FY10	84.318	1,385	-
Title II-D Technology - FY11	84.318	67	830
Total Title II-D Technology		<u>1,452</u>	<u>830</u>
Title II-A, Improv. Teacher Quality - FY10			
Title II-A, Improv. Teacher Quality - FY10	84.367	9,129	2,112
Title II-A, Improv. Teacher Quality - FY11	84.367	31,114	55,621
Total Title II-A , Improv. Teacher Quality		<u>40,243</u>	<u>57,733</u>
Education Jobs	84.410	158,000	205,668
Total U.S. Department of Education		<u>1,342,284</u>	<u>1,217,993</u>
Total Federal Awards Receipts and Expenditures		<u>\$ 1,657,746</u>	<u>\$ 1,533,455</u>

See accompanying Notes to the Schedule of Federal Awards Expenditures

LAKE LOCAL SCHOOL DISTRICT
Wood County
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2011

1. Significant Accounting Policies

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

2. Food Distribution

Nonmonetary assistance is reported in the schedule at 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, 2011, the District had food commodities in inventory recorded in the Food Service Fund.

3. Transfers

The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education's (ODE) approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using cost centers for each year's activity, and transferring the amounts ODE approved between the cost centers. During fiscal year 2011, the ODE authorized the following transfers.

CFDA No.	Program Title	Transfer Out	Transfer In
84.394	ARRA Education Stabilization – FY10	(37,225)	
84.394	ARRA Education Stabilization – FY11		37,225

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

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

Lake Local School District
Wood County
2249 Tracy Road
Northwood, Ohio 43447

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lake Local School District, (District), Wood County, Ohio, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 9, 2011, wherein we noted the District uses the modified cash basis of accounting rather than accounting principles generally accepted in the United States of America. We also noted the District implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". 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.

Internal Controls Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and timely corrected.

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

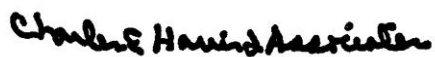
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lake Local School District, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2011-01.

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

We also noted certain matters that we reported to management of the Lake Local School District, Ohio, in a separate letter dated December 9, 2011.

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

A handwritten signature in black ink that reads "Charles E. Harris" followed by a stylized flourish.

Charles E. Harris and Associates, Inc.

December 9, 2011

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Lake Local School District
Wood County
2249 Tracy Road
Northwood, Ohio 43447

To the Board of Education:

Compliance

We have audited the Lake Local School District, Wood County, Ohio's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's federal programs for the year ended June 30, 2011. The District's major federal programs are 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 each of its major federal programs 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the Lake Local School District, Wood County, Ohio complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance


Management of the Lake Local School District, Wood County, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

However, we noted certain matters involving federal compliance not requiring inclusion in this report, that we have reported to management of the District in a separate letter dated December 9, 2011.

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



CHARLES E. HARRIS & ASSOCIATES, INC.

December 9, 2011

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY
June 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	Yes
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	SFSF CFDA #84.394 ED JOBS CFDA #84.410 IDEA B CFDA #84.027 IDEA B ARRA CFDA #84.391
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	No

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

Lake Local School District
Wood County
June 30, 2011

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

FINDING NUMBER 2011-01 Noncompliance Finding

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

Ohio Administrative Code §117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

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

Officials' Response:

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

3. FINDINGS FOR FEDERAL AWARDS

None.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY
JUNE 30, 2011**

SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2010 - 001	Noncompliance - Ohio Revised Code § 117.38 – Financial report not in accordance to GAAP	No	Repeated as Finding 2011-01
2010 - 002	Ohio Revised Code § 5705.41(B) – Expenditures exceeded Appropriations	Yes	
2010 – 003	Budgetary weakness – Accounting system does not reflect legally approved estimated resources and appropriations	Yes	
2010 – 004	Allowable Cost – Questioned cost for a federal program	Yes	

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Lake Local School District
Wood County
2249 Tracy Road
Northwood, Ohio 43447

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Lake Local School District has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We noted the Board of Education amended its anti-harassment policy at its meeting on February 16, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.
December 9, 2011

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Dave Yost • Auditor of State

LAKE LOCAL SCHOOL DISTRICT

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 20, 2012