

***LAKE LOCAL SCHOOL DISTRICT***

***WOOD COUNTY***

**Audit Report**

**For the Year Ended June 30, 2012**

***CHARLES E. HARRIS & ASSOCIATES, INC.***

Certified Public Accountants and Government Consultants





# Dave Yost • Auditor of State

Board of Education  
Lake Local School District  
28090 Lemoyne Road  
Millbury, 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, 2011 through June 30, 2012. 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

January 9, 2013

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LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY  
AUDIT REPORT  
For the Year Ending June 30, 2012

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

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Lake Local School District  
Wood County  
28090 Lemoyne Road  
Millbury, 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, 2012, 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 opinions on these financial statements based on our audit.

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

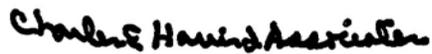
Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting 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.

As discussed in Note 2, the Lake Local School District, Wood County, Ohio prepares its financial statements and notes on the cash basis of accounting. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2012, and the respective changes in its cash basis financial position, thereof and the budgetary comparison for the General Fund for the fiscal 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 November 16, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets and governmental activities. The schedule of federal awards expenditures (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



*Charles E. Harris & Associates, Inc.*

November 16, 2012

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the fiscal year ended June 30, 2012  
(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, 2012, within the limitations of the cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2012 are as follows:

- Net assets of governmental activities decreased by \$12,250,886 which represents an 80.19% decrease from fiscal year 2011. Capital Outlay expenditures of \$20,183,789 in the Building Fund was the reason for the decrease. The District received \$9,629,091 in insurance recoveries to help offset some of the Capital Outlay expenditures. Without this, net assets would have decreased by \$21,879,977.
- General revenues accounted for \$23,132,677 in revenue or 89.9% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$2,602,699 or 10.1% of total revenues of \$25,735,376.
- The District had \$37,986,262 in expenses related to governmental activities; only \$2,602,699 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$23,132,677 were also used to provide for these programs.

USING THE BASIC FINANCIAL STATEMENTS

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

REPORT COMPONENTS

The statement of net 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, 2012

(Unaudited)

#### BASIS OF ACCOUNTING

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

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

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2012, within the limitations of the 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 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, 2012  
(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 column. The District's major governmental funds are the General, Building, Bond Retirement, and Permanent Improvement Funds.

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

Table 1 provides a summary of the School District's net assets for fiscal year 2012 compared to fiscal year 2011.

Table 1  
Net Assets

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 3,026,186	\$14,298,582
Investments	-	978,490
<u>Total Assets</u>	<u>3,026,186</u>	<u>15,277,072</u>
<u>Net Assets</u>		
Restricted	2,375,088	13,239,034
Unrestricted	651,098	2,038,038
<u>Total Net Assets</u>	<u>\$ 3,026,186</u>	<u>\$15,277,072</u>

As mentioned previously, total net assets decreased \$12,250,886. The primary reason for this is that the District had \$20,183,789 of capital outlay expenditures in the Building Fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For the fiscal year ended June 30, 2012  
(Unaudited)

Table 2 reflects the changes in net assets for fiscal years 2012 and 2011.

TABLE 2  
Change in Net Assets

	<u>Governmental Activities</u>		<u>Net Increase</u>
	<u>2012</u>	<u>2011</u>	<u>(Decrease)</u>
<u>Revenue</u>			
<u>Program Revenues:</u>			
Charges for services and sales	\$ 1,256,109	\$ 1,332,875	\$ (76,766)
Operating grants, contributions and interest	1,117,598	1,759,571	(641,973)
Capital grants, contributions and interest	228,992	643,382	(414,390)
<u>Total Program Revenues</u>	<u>2,602,699</u>	<u>3,735,828</u>	<u>(1,133,129)</u>
<u>General Revenues:</u>			
Property Taxes	7,263,114	7,434,004	(170,890)
Payment in lieu of taxes	42,306	49,612	(7,306)
Grants and entitlements	6,155,444	6,395,940	(240,496)
Interest	42,477	28,622	13,855
Proceeds from sale capital assets	-	300	(300)
Miscellaneous	245	2,146	(1,901)
Insurance recoveries	9,629,091	18,417,072	(8,787,981)
<u>Total General Revenues</u>	<u>23,132,677</u>	<u>32,327,696</u>	<u>(9,195,019)</u>
<u>Total Revenues</u>	<u>25,735,376</u>	<u>36,063,524</u>	<u>(10,328,148)</u>
<u>Expenditures</u>			
Instruction	9,280,133	10,053,615	(773,482)
Support services:			
Pupils	635,892	597,725	38,167
Instructional staff	497,789	647,747	(149,958)
Board of Education	215,440	587,456	(372,016)
Administration	1,154,240	1,117,896	36,344
Fiscal	481,611	478,474	3,137
Operation and maintenance of plant	1,575,698	1,386,348	189,350
Pupil transportation	1,335,178	979,904	355,274
Central	193,693	503,943	(310,250)
Non-Instructional	8,841	23,340	(14,499)
Food service operations	556,809	506,197	50,612
Extracurricular Activities	676,336	973,318	(296,982)
Intergovernmental disbursements	-	10,247	(10,247)
Capital outlay	20,183,964	7,386,997	12,796,967
Debt service - Principal	819,347	776,237	43,110
Interest and fiscal charges	371,291	406,276	(34,985)
<u>Total Expenditures</u>	<u>37,986,262</u>	<u>26,435,720</u>	<u>11,550,542</u>
<u>Increase (Decrease) in Net Assets</u>	<u>\$ (12,250,886)</u>	<u>\$ 9,627,804</u>	<u>\$ (21,878,690)</u>

**LAKE LOCAL SCHOOL DISTRICT**  
WOOD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For the fiscal year ended June 30, 2012  
(Unaudited)

Program receipts account for 10.1 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 24.4 percent of all governmental disbursements. Other programs which support the instruction process including pupils, instructional staff, and pupil transportation account for 6.5 percent of governmental disbursements. Capital outlay also represents a significant disbursement of 53.1 percent. The remaining 16.0 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>2012</u>		<u>2011</u>	
	Total Cost of <u>Services</u>	Net Cost of <u>Services</u>	Total Cost of <u>Services</u>	Net Cost of <u>Services</u>
Instruction	\$ 9,280,133	\$ 8,036,183	\$10,053,615	\$ 8,098,883
<u>Support Services</u>				
Pupils	635,892	635,892	597,725	590,943
Instructional staff	497,789	481,132	647,747	563,876
Board of Education	215,440	215,440	587,456	587,456
Administration	1,154,240	1,140,499	1,117,896	1,029,330
Fiscal	481,611	481,611	478,474	478,474
Plant Operation and Maintenance	1,575,698	1,568,498	1,386,348	1,377,248
Pupil transportation	1,335,178	1,329,907	979,904	962,226
Central	193,693	193,693	503,943	498,943
Non-instructional	8,841	8,841	23,340	23,340
Food service operations	556,809	47,566	506,197	70,586
Extracurricular activities	676,336	98,691	973,318	482,212
Intergovernmental disbursements	-	-	10,247	10,247
Capital outlay	20,183,964	19,954,972	7,386,997	6,743,615
Principal	819,347	819,347	776,237	776,237
Interest and fiscal charges	<u>371,291</u>	<u>371,291</u>	<u>406,276</u>	<u>406,276</u>
<u>Total Government Activities</u>	<u>\$37,986,262</u>	<u>\$35,383,563</u>	<u>\$26,435,720</u>	<u>\$ 22,699,892</u>

The School District is dependent upon tax revenues for governmental activities. Over 87% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 93%. 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, 2012  
(Unaudited)

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. Total governmental funds (excluding transfers and advances) had receipts of \$25,735,376 and disbursements of \$37,986,262. The greatest change within governmental funds occurred within the Building Fund as the result of expending \$20,183,789 in capital outlay.

BUDGETARY HIGHLIGHTS

The School District prepares an annual budget of revenues and expenditures for all funds of the School District for use by School District officials and department heads and prepares such other budgetary documents as are required by State statute, including the annual appropriations resolution which is effective the first day of July. The School District's most significant budgeted fund is the General Fund. During the course of fiscal year 2012, the School District amended its General Fund budget as needed.

For the General Fund, the original and final budget basis receipts and other financing sources were \$13,360,412 and \$13,375,412 respectively. Actual receipts of \$12,725,616 were lower than final budgeted estimates in the amount of \$649,796. The original and final budgetary basis disbursements were \$13,247,127. The actual budgetary basis disbursements and other financing uses of \$14,279,417 were \$486,956 less than the final budget estimates.

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, 2012, the District had \$11,023,001 due from school improvement general obligation and energy conservation bonds, including accretion on capital appreciation bonds.

Note 12 provides additional details regarding debt.

CURRENT ISSUES

On June 7, 2010 the Lake Schools campus was directly hit by an F4 tornado completely destroying the High School and damaging the adjacent Middle School and Elementary School as well as most of the outdoor athletic facilities. All told, damages exceeded 33 million dollars.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For the fiscal year ended June 30, 2012  
(Unaudited)

From an on-going operational standpoint, the District lost 1.6 million dollars in FY12 over FY11 due to Federal, State, and Local funding cuts. We expected this was coming and cut \$400,000 from operations in FY12 and 1.3 million in FY13 through a reduction in force that affected 10 certified and 12 classified positions in addition to closing one of two elementary schools.

The District did pass a 6.75 mill operating levy in August 2012 that will prevent the need for further layoffs in the immediate future.

REQUEST FOR INFORMATION

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

Lake Local School District  
Wood County

Statement of Net Assets - Cash Basis  
June 30, 2012

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 3,026,186
<i>Total Assets</i>	<u>\$ 3,026,186</u>
<b>NET ASSETS:</b>	
Restricted for Debt Service	\$ 609,168
Restricted for Capital Outlay	1,448,105
Restricted for Other Purposes	222,759
Restricted for Set Asides	22,919
Restricted for Bus Purchases	71,337
Restricted for Scholarships:	
Non-spendable	800
Unrestricted	<u>651,098</u>
<i>Total Net Assets</i>	<u>\$ 3,026,186</u>

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

Lake Local School District  
Wood County

Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2012

	Program Receipts			Net(Disbursements)	
Disbursements	Charges for Services and Sales	Operating Grants	Capital Grants	Receipts and Changes in Net Assets	
				Governmental Activities	
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$ 7,552,681	\$ 483,421	\$ 223,454	\$ -	\$ (6,845,806)
Special	1,522,060	-	537,075	-	(984,985)
Vocational	178,682	-	-	-	(178,682)
Other	26,710	-	-	-	(26,710)
Support Services:					
Pupils	635,892	-	-	-	(635,892)
Instructional Staff	497,789	-	16,657	-	(481,132)
Board of Education	215,440	-	-	-	(215,440)
Administration	1,154,240	-	13,741	-	(1,140,499)
Fiscal	481,611	-	-	-	(481,611)
Operation and Maintenance of Plant	1,575,698	-	7,200	-	(1,568,498)
Pupil Transportation	1,335,178	-	5,271	-	(1,329,907)
Central	193,693	-	-	-	(193,693)
Operation of Non-Instructional Services	8,841	-	-	-	(8,841)
Food Service Operations	556,809	195,043	314,200	-	(47,566)
Extracurricular Activities	676,336	577,645	-	-	(98,691)
Capital Outlay	20,183,964	-	-	228,992	(19,954,972)
Debt Service					
Principal	819,347	-	-	-	(819,347)
Interest and Fiscal Charges	371,291	-	-	-	(371,291)
<b>Total Governmental Activities</b>	<b>\$ 37,986,262</b>	<b>\$ 1,256,109</b>	<b>\$ 1,117,598</b>	<b>\$ 228,992</b>	<b>(35,383,563)</b>
<b>General Revenues:</b>					
Taxes:					
Property Taxes, Levied for General Purposes					6,086,749
Property Taxes, Levied for Capital Outlay					257,606
Property Taxes, Levied for Debt Service					918,759
Payments in Lieu of Taxes					42,306
Grants and Entitlements not Restricted to Specific Programs					6,155,444
Miscellaneous					245
Investment Earnings					42,477
Insurance Recoveries					9,629,091
<b>Total General Receipts</b>					<b>23,132,677</b>
<b>Change in Net Assets</b>					<b>(12,250,886)</b>
<b>Net Assets Beginning of Year</b>					<b>15,277,072</b>
<b>Net Assets End of Year</b>					<b>\$ 3,026,186</b>

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

Lake Local School District  
Wood County

Statement of Assets and Fund Balances - Cash Basis  
Governmental Funds  
June 30, 2012

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Permanent Improvement Fund</u>	<u>Building Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 767,317	\$ 609,168	\$ 365,850	\$ 1,082,239	\$ 107,356	\$ 2,931,930
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	<u>94,256</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,256</u>
<i>Total Assets</i>	<u><u>861,573</u></u>	<u><u>609,168</u></u>	<u><u>365,850</u></u>	<u><u>1,082,239</u></u>	<u><u>107,356</u></u>	<u><u>3,026,186</u></u>
<b>FUND BALANCES:</b>						
Non-Spendable	-	-	-	-	800	800
Restricted	94,256	609,168	365,850	1,082,239	222,775	2,374,288
Assigned	291,022	-	-	-	-	291,022
Unassigned	<u>476,295</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(116,219)</u>	<u>360,076</u>
<i>Total Fund Balances</i>	<u><u>\$ 861,573</u></u>	<u><u>\$ 609,168</u></u>	<u><u>\$ 365,850</u></u>	<u><u>\$ 1,082,239</u></u>	<u><u>\$ 107,356</u></u>	<u><u>\$ 3,026,186</u></u>

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

Lake Local School District  
Wood County

Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis  
Governmental Funds  
For the Fiscal Year Ended June 30, 2012

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Permanent Improvement Fund</u>	<u>Building Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>RECEIPTS:</b>						
Property and Other Local Taxes	\$ 6,086,749	\$ 918,759	\$ 257,606	\$ -	\$ -	\$ 7,263,114
Intergovernmental	5,888,784	196,841	69,819	-	1,117,598	7,273,042
Interest	42,390	-	-	-	87	42,477
Tuition and Fees	447,942	-	-	-	-	447,942
Extracurricular Activities	178,046	-	-	-	348,610	526,656
Gifts and Donations	16,881	-	219,000	9,992	64,050	309,923
Customer Sales and Services	2,707	-	-	-	197,873	200,580
Payments in Lieu of Taxes	-	-	-	-	42,306	42,306
Miscellaneous	245	-	-	-	-	245
<i>Total Receipts</i>	<u>12,663,744</u>	<u>1,115,600</u>	<u>546,425</u>	<u>9,992</u>	<u>1,770,524</u>	<u>16,106,285</u>
<b>DISBURSEMENTS</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	7,237,158	-	6,514	22,151	286,858	7,552,681
Special	977,318	-	-	-	544,742	1,522,060
Vocational	178,682	-	-	-	-	178,682
Other	-	-	-	26,710	-	26,710
<b>Support Services:</b>						
Pupils	614,264	-	-	-	21,628	635,892
Instructional Staff	457,150	-	-	-	40,639	497,789
Board of Education	72,141	3,025	-	140,274	-	215,440
Administration	1,124,126	-	-	-	30,114	1,154,240
Fiscal	460,552	15,803	4,426	-	830	481,611
Operation and Maintenance of Plant	1,568,248	-	3,150	-	4,300	1,575,698
Pupil Transportation	813,400	-	-	521,778	-	1,335,178
Central	189,762	-	-	-	3,931	193,693
Operation of Non-Instructional Services	-	-	-	8,841	-	8,841
Food Service Operations	-	-	-	-	556,809	556,809
Extracurricular Activities	341,392	-	-	-	334,944	676,336
Capital Outlay	175	-	-	20,183,789	-	20,183,964
<b>Debt Service:</b>						
Principal	-	740,000	79,347	-	-	819,347
Interest	-	346,025	25,266	-	-	371,291
<i>Total Disbursements</i>	<u>14,034,368</u>	<u>1,104,853</u>	<u>118,703</u>	<u>20,903,543</u>	<u>1,824,795</u>	<u>37,986,262</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,370,624)</u>	<u>10,747</u>	<u>427,722</u>	<u>(20,893,551)</u>	<u>(54,271)</u>	<u>(21,879,977)</u>
<b>OTHER FINANCING SOURCES AND USES:</b>						
Transfers In	-	-	-	-	28,275	28,275
Advances In	61,872	-	-	-	767	62,639
Insurance Recoveries	-	-	-	9,629,091	-	9,629,091
Transfers Out	(28,275)	-	-	-	-	(28,275)
Advances Out	(767)	-	(61,872)	-	-	(62,639)
<i>Total Other Financing Sources and Uses</i>	<u>32,830</u>	<u>-</u>	<u>(61,872)</u>	<u>9,629,091</u>	<u>29,042</u>	<u>9,629,091</u>
<i>Net Change in Fund Balances</i>	<u>(1,337,794)</u>	<u>10,747</u>	<u>365,850</u>	<u>(11,264,460)</u>	<u>(25,229)</u>	<u>(12,250,886)</u>
<i>Fund Balance at Beginning of Year</i>	<u>2,199,367</u>	<u>598,421</u>	<u>-</u>	<u>12,346,699</u>	<u>132,585</u>	<u>15,277,072</u>
<i>Fund Balance at End of Year</i>	<u>\$ 861,573</u>	<u>\$ 609,168</u>	<u>\$ 365,850</u>	<u>\$ 1,082,239</u>	<u>\$ 107,356</u>	<u>\$ 3,026,186</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, 2012

	Original Budget	Final Budget	Actual	<u>Variance with Final Budget</u>
<b>RECEIPTS:</b>				
Property and Other Local Taxes	\$ 6,268,942	\$ 6,268,942	\$ 6,086,749	\$ (182,193)
Intergovernmental	6,021,570	6,021,570	5,888,784	(132,786)
Interest	60,000	60,000	42,390	(17,610)
Tuition and Fees	509,575	509,575	395,019	(114,556)
Extracurricular Activities	40,000	40,000	37,735	(2,265)
Customer Sales and Services	3,250	3,250	2,707	(543)
Miscellaneous	2,725	2,725	245	(2,480)
<i>Total Receipts</i>	<u>12,906,062</u>	<u>12,906,062</u>	<u>12,453,629</u>	<u>(452,433)</u>
<b>DISBURSEMENTS:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	6,936,350	7,100,517	7,062,039	38,478
Special	956,910	998,460	983,941	14,519
Vocational	169,385	182,005	178,682	3,323
<b>Support Services:</b>				
Pupils	593,760	621,198	615,111	6,087
Instructional Staff	542,994	551,739	460,874	90,865
Board of Education	60,475	100,710	72,141	28,569
Administration	1,058,730	1,182,720	1,137,081	45,639
Fiscal	482,456	476,096	461,719	14,377
Operation and Maintenance of Plant	1,445,530	1,772,098	1,693,974	78,124
Pupil Transportation	792,585	847,540	831,313	16,227
Central	152,515	203,295	199,137	4,158
<b>Extracurricular Activities:</b>				
Academic Oriented Activities	70,200	72,830	71,545	1,285
Sport Oriented Activities	288,450	284,440	269,847	14,593
<b>Capital Outlay</b>				
Educational Specifications Development Services	-	175	175	-
<i>Total Disbursements</i>	<u>13,550,340</u>	<u>14,393,823</u>	<u>14,037,579</u>	<u>356,244</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(644,278)</u>	<u>(1,487,761)</u>	<u>(1,583,950)</u>	<u>(96,189)</u>
<b>OTHER FINANCING SOURCES AND USES:</b>				
Transfers In	275,000	275,000	-	(275,000)
Proceeds from Sale of Capital Assets	-	15,000	-	(15,000)
Transfers Out	(150,000)	(150,000)	(32,918)	117,082
Advances In	-	-	61,872	61,872
Advances Out	-	-	(767)	(767)
<i>Total Other Financing Sources and Uses</i>	<u>125,000</u>	<u>140,000</u>	<u>28,187</u>	<u>(111,813)</u>
<i>Net Change in Fund Balances</i>	(519,278)	(1,347,761)	(1,555,763)	(208,002)
<i>Fund Balance (Deficit) at Beginning of Year</i>	2,016,143	2,016,143	2,016,143	-
<i>Prior Year Encumbrances Appropriated</i>	<u>128,096</u>	<u>128,096</u>	<u>128,096</u>	<u>-</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 1,624,961</u>	<u>\$ 796,478</u>	<u>\$ 588,476</u>	<u>\$ (208,002)</u>

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

Lake Local School District  
Wood County

Statement of Fiduciary Net Assets - Cash Basis  
Fiduciary Funds  
June 30, 2012

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
<b>ASSETS:</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 735,870	\$ 43,461
<i>Total Assets</i>	<u>\$ 735,870</u>	<u>\$ 43,461</u>
<b>NET ASSETS:</b>		
Held for Student Activities	\$ -	\$ 43,461
Held in Trust for Scholarships	<u>735,870</u>	<u>-</u>
<i>Total Net Assets</i>	<u>\$ 735,870</u>	<u>\$ 43,461</u>

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

Lake Local School District  
Wood County

Statement of Changes in Fiduciary Net Assets - Cash Basis  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2012

	<u>Private Purpose Trust Fund</u>
ADDITIONS:	
Gifts and Contributions	\$ 300
Interest	<u>27,638</u>
<i>Total Additions</i>	<u>27,938</u>
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>28,675</u>
<i>Total Deductions</i>	<u>28,675</u>
<i>Change in Net Assets</i>	(737)
<i>Net Assets Beginning of Year</i>	<u>736,607</u>
<i>Net Assets End of Year</i>	<u><u>\$ 735,870</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, 2012

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 63 non-certificated employees, 99 certificated teaching personnel and 11 administrative employees who provide services to 1,752 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 16 and 17 to the basic financial statements.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

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

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

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

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

B. Basis Of Presentation

The School District's basic financial statements consist of government-wide financial statements, including a statement of net 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, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis Of Presentation (Continued)

1. Government-Wide Financial Statements (Continued)

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

2. Fund Financial Statements

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

C. Fund Accounting

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

1. Governmental Funds

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

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

1. Governmental Funds (Continued)

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.

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

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

2. Fiduciary Fund Types

The fiduciary fund category is split into two 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

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

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

During 2012, the School District invested in nonnegotiable certificates of deposit, a money market fund, and STAR Ohio. Investments are reported at cost, except for the money market fund. 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, 2012.

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 2012 amounted to \$42,390.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Restricted Assets

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

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11 the employer contributions include portions for pension benefits and for post-retirement health benefits.

K. Long-Term Obligations

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance (Continued)

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

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

N. Interfund Transactions

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

O. Extraordinary Items

The School District received \$ 9,629,091 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 2012 to begin building and repairing school facilities. Without this, net assets of the governmental funds would have shown a decrease of \$21,879,977 instead of a decrease of \$12,250,886.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

The General Fund encumbrances outstanding at year end (budgetary basis) amounted to \$216,008.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

NOTE 4 - 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;
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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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 \$4,500 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, \$455,058 of the School District's bank balance of \$980,128 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.

Investments - As of June 30, 2012, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
STAR Ohio	<u>\$2,848,863</u>	Less than 90 days
Total Investments	<u>\$2,848,863</u>	

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

STAR Ohio carries a rating of AAA by Standard and Poor's.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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

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

NOTE 5 - 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 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after October 1, 2011 on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

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

Public utility property tax receipts received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after October 1, 2011 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal is currently assessed at varying percentages of true value.

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

**LAKE LOCAL SCHOOL DISTRICT**  
WOOD COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

NOTE 5 - PROPERTY TAXES (Continued)

The School District receives property taxes from Wood and Ottawa Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2012 are available to finance fiscal year 2013 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 2012 taxes were collected are:

	<u>2011 Second-Half</u>		<u>2012 First-Half</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Property	\$225,930,850	95.20%	\$206,327,190	94.69%
Public Utility	<u>11,401,810</u>	<u>4.80</u>	<u>11,579,930</u>	<u>5.31</u>
Total Assessed Value	<u>\$237,332,660</u>	<u>100.00%</u>	<u>\$217,907,120</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$59.41		\$60.29	

NOTE 6 - INTERFUND TRANSFERS / ADVANCES

During the year ended June 30, 2012 the District transferred \$28,275 from the General Fund, a Major Governmental Fund, to the following Non-major Governmental Funds:

Title VI	\$ 155
Title IV	8,380
Gifted Identification Grant	6,117
Gifted ID	2,181
Title 1	<u>11,442</u>
Total	<u>\$28,275</u>

During the year ended June 30, 2012, the Permanent Improvement Fund, a Major Governmental Fund, repaid an advance of \$61,872 to the General Fund, a Major Governmental Fund.

During the year ended June 30, 2012, the District advanced \$767 from the General Fund, a Major Governmental Fund, to the Vocal Music Fund, a Non-major Governmental Fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

NOTE 7 - 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 8 - 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 16), 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 2012, and settled claims, if any, have not exceeded coverage in any of the past three years.

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

The School District is a member of a cooperative group of Wood County Schools established to provide a self-insurance fund to pay medical/surgical, and prescription drug benefits of employees and their covered dependents. The medical insurance program operates under the control of a Board of Trustees representing the member school and is administered by Medical Mutual of Ohio. The plan provides a medical/surgical plan with a \$100 single and \$200 family deductible. The plan also provides prescription drug care through the major medical portion of the plan. Dental care is provided through Medical Mutual of Ohio and vision insurance through Vision Service Plan. For further information regarding the insurance consortium, refer to Note 16 to the basic financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

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.

A. State Teachers Retirement System

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, 2012, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010, were \$782,914, \$781,010, and \$794,184 respectively; 88 percent has been contributed for fiscal year 2012, and 100 percent for fiscal years 2011 and 2010.

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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Media/Financial Reports".

Funding Policy - For the fiscal year ended June 30, 2012, 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 2012, 12.65 percent of annual covered salary was the portion used to fund pension obligations and .05 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, 2012, 2011, and 2010 was \$225,410, \$211,367, and \$218,970, respectively; 88 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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, 2012, five members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the 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, 2012, 2011, and 2010 was \$60,224, \$60,078, and \$61,091 respectively; 88 percent has been contributed for fiscal year 2012, and 100 percent for fiscal years 2011 and 2010.

B. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries; a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The Financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org) under "Media/Financial Reports".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

B. School Employees Retirement System (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, .55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The 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 District's contributions for health care for the years ended June 30, 2012, 2011 and 2010 were \$9,800, \$25,593 and \$27,882 respectively; 88 percent has been contributed for fiscal year 2012, and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$13,364, \$13,602 and \$13,022 respectively; 88 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

NOTE 11 - LEASES

The School District leases copiers from MT Technologies. The School District also leased school buses, and had a building lease with Owens Community College. The School District paid off the School Buses Lease with the help of a \$512,218 Ohio Department of Education Catastrophic Aid Grant. Total cost disbursed on the School Buses lease was \$545,300 for the year ended June 30, 2012. The School District disbursed \$59,654 to pay lease costs for the copier and building leases during the year ended June 30, 2012.

<u>Year Ending</u> <u>June 30,</u>	<u>Copier Lease</u> <u>Amount</u>
2013	\$ 22,952
Total	<u>\$ 22,952</u>

NOTE 12 - DEBT

The changes in the School District's long-term obligations during fiscal year 2012 were as follows:

	<u>Principal</u> <u>Outstanding</u> <u>6/30/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal</u> <u>Outstanding</u> <u>6/30/12</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
General Obligation Bonds:					
Middle School Bonds					
Interest Rate 4.2% - 5.2%	\$ 950,000	\$ -	\$575,000	\$ 375,000	\$ -
Capital Appreciation Bonds	444,995	-	-	444,995	231,586
Accretion on Capital					
Appreciation Bonds	630,046	56,065	-	686,111	363,414
2007 Refunding					
Serial Bonds 4.0%	6,730,000	-	165,000	6,565,000	170,000
Term Bonds 4.0%	1,185,000	-	-	1,185,000	-
Capital Appreciation Bonds	574,990	-	-	574,990	-
Accretion on Capital					
Appreciation Bonds	482,103	158,832	-	640,935	-
Energy Conservation					
Improvement Bonds					
Interest Rate - 4.125%	630,317	-	79,347	550,970	82,721
Total General Long Term					
Obligations	<u>\$11,627,451</u>	<u>\$214,897</u>	<u>\$819,347</u>	<u>\$11,023,001</u>	<u>\$847,721</u>

**LAKE LOCAL SCHOOL DISTRICT**  
WOOD COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

NOTE 12 - DEBT (Continued)

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.

Principal and interest requirements to retire obligation bonds outstanding at June 30, 2012, are 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
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>\$375,000</u>	<u>\$68,250</u>	<u>\$444,995</u>	<u>\$745,005</u>	<u>\$1,633,250</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

NOTE 12 - DEBT (Continued)

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
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	-	269,200	-	26,800	197,718	587,282	1,081,000
2018-2022	4,260,000	933,400	-	134,000	-	-	5,327,400
2023-2025	<u>1,955,000</u>	<u>120,300</u>	<u>1,185,000</u>	<u>83,500</u>	<u>-</u>	<u>-</u>	<u>3,343,800</u>
Total	<u>\$6,565,000</u>	<u>\$2,413,900</u>	<u>\$1,185,000</u>	<u>\$351,500</u>	<u>\$574,990</u>	<u>\$1,395,010</u>	<u>\$12,485,400</u>

The annual requirements to amortize energy conservation note outstanding as of June 30, 2012 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	97,396	7,217	104,613
2018	<u>101,454</u>	<u>3,159</u>	<u>104,613</u>
	<u>\$550,970</u>	<u>\$76,708</u>	<u>\$627,678</u>

**LAKE LOCAL SCHOOL DISTRICT**  
WOOD COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

NOTE 13 - 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>	<u>Bond Retirement Fund</u>	<u>Permanent Improvement Fund</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>FUND BALANCE</u>						
<u>Non-spendable</u>						
Scholarship	\$ -	\$ -	\$ -	\$ -	\$ 800	\$ 800
<u>Restricted for:</u>						
Athletics / Music	-	-	-	-	161,340	161,340
Education Management Information System	-	-	-	-	7,140	7,140
Various Education Purposes	-	-	-	-	54,279	54,279
Debt Service	-	609,168	-	-	-	609,168
Budget Stabilization	22,919	-	-	-	-	22,919
Bus purchases	71,337	-	-	-	-	71,337
Capital Improvements	<u>-</u>	<u>-</u>	365,850	1,082,239	16	<u>1,448,105</u>
<u>Total Restricted</u>	<u>94,256</u>	<u>609,168</u>	<u>365,850</u>	<u>1,082,239</u>	<u>222,775</u>	<u>2,374,288</u>
<u>Assigned for:</u>						
Educational Activities	75,014	-	-	-	-	75,014
Unpaid Obligations	<u>216,008</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>216,008</u>
<u>Total Assigned for:</u>	<u>291,022</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>291,022</u>
<u>Unassigned</u>	<u>476,295</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(116,219)</u>	<u>360,076</u>
<u>TOTAL FUND BALANCE</u>	<u>\$ 861,573</u>	<u>\$ 609,168</u>	<u>\$ 365,850</u>	<u>\$ 1,082,239</u>	<u>\$ 107,356</u>	<u>\$ 3,026,186</u>

**LAKE LOCAL SCHOOL DISTRICT**  
WOOD COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

NOTE 14 - SET ASIDE REQUIREMENTS

The District is required by state statute to annually set aside in the general fund an amount based on a statutory formula for the purpose of the acquisition and construction of capital improvements. Amounts not spent by year-end by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purpose in future years. In prior years the District was required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials. However, this State statute was repealed by 129<sup>th</sup> General Assembly, File No. 8, HB 30, §2, eff. 7/1/11. 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 2012.

	<u>Textbook Reserve</u>	<u>Capital Improvements</u>	<u>Budget Stabilization Reserve</u>
Balance July 1, 2011	\$ 82,073	\$ -	\$ 22,919
Required Set-Aside	-	286,525	-
Qualifying Cash Disbursements	-	(286,525)	-
State Statute Repealed, Effective July 1, 2011	<u>(82,073)</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,919</u>
Amount carried forward to Future Fiscal Years	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,919</u>
Set Aside Reserve Balance - June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,919</u>

The School District had qualifying disbursements that offset the required set aside for Capital Improvements reserve for the year.

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, 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

NOTE 15 - 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 \$119,247. 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, 2012

NOTE 15 - 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 16 - 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, 2012

NOTE 16 - 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 17 - 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, 2012.

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.

Student Attendance Data

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

NOTE 18 - 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  
Schedule of Federal Awards Expenditures  
For the Year Ending June 30, 2012

Federal Grantor/Pass Through Grantor Number/Program Title	CFDA Number	Federal Receipts	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>			
<u>Nutrition Cluster:</u>			
<i>Passed through Ohio Department of Agriculture:</i>			
Cash Assistance:			
National School Lunch Program:	10.555	\$ 247,241	\$ 247,241
School Breakfast Program	10.553	59,721	59,721
<i>Direct Program:</i>			
Non-Cash Assistance:			
National School Lunch Program (Commodities)	10.555	33,907	33,907
Total Nutrition Cluster		<u>340,869</u>	<u>340,869</u>
<b>Total U.S. Department of Agriculture</b>		<b>340,869</b>	<b>340,869</b>
<b><u>U.S. Department of Education</u></b>			
<i>Passed through Ohio Department of Education</i>			
<u>Title I, Part A Cluster:</u>			
Title I Grants to Local Educational Agencies	84.010	249,887	251,901
Title I School Improvement Sub A	84.010	2,090	710
Total Title I, Part A Cluster		<u>251,977</u>	<u>252,611</u>
ARRA Education Stabilization	84.394	-	70,879
<u>IDEA - B, Special Education - Assistance to States</u>			
IDEA - B	84.027	266,251	295,834
ARRA IDEA-B Stimulus	84.391	45,673	32,464
Total IDEA-B - Special Education - Assistance to States		<u>311,924</u>	<u>328,298</u>
Title II-D Technology	84.318	763	1,974
Title II-A, Improv. Teacher Quality	84.367	71,313	50,648
Education Jobs	84.410	53,188	5,520
<b>Total U.S. Department of Education</b>		<b>689,165</b>	<b>709,930</b>
<b>Total Federal Awards Receipts and Expenditures</b>		<b>\$ 1,030,034</b>	<b>\$ 1,050,799</b>

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, 2012**

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, 2012, the District had food commodities in inventory recorded in the Food Service Fund.

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities and each major fund of the Lake Local School District, Wood County, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 16, 2012, wherein we noted the District followed the cash basis of accounting rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit 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 to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed 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 2012-01.

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 not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 16, 2012.

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



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

November 16, 2012

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

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

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Lake Local School District, Wood County, Ohio's (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards* and OMB *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the 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 these 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 directly and materially affect its major federal programs for the year ended June 30, 2012.

## Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be 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.

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



**CHARLES E. HARRIS & ASSOCIATES, INC.**

November 16, 2012

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

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY  
June 30, 2012**

**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>	Nutrition Cluster CFDA # 10.555, 10.553 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, 2012**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2012-01 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 2012, the Board agreed with the Treasurer's recommendation to suspend the preparation and compilation of the traditional GAAP reports due to its high cost versus the limited value and usage of these reports.

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

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY  
JUNE 30, 2012**

**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
2011 - 01	Noncompliance - Ohio Revised Code § 117.38 – Financial report not in accordance to GAAP	No	Repeated as Finding 2012-01



# 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  
JANUARY 22, 2013