



Dave Yost • Auditor of State



**INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Indian Lake Local School District  
Logan County  
6210 State Route 235 North  
Lewistown, Ohio 43333

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 Indian Lake Local School District, Logan County (the District), as of and for the fiscal year ended June 30, 2012, which collectively comprise the 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 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 modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Indian Lake Local School District, Logan County, as of June 30, 2012, and the respective changes in modified cash financial position and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 Government's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities, major funds cash balances, general fund cash receipts, general fund cash disbursements, and long-term debt. The schedule of federal awards receipts and expenditure (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.



**Dave Yost**  
Auditor of State

November 16, 2012

**INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

The management's discussion and analysis of the Indian Lake Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2012, within the limitations of the District's modified cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the modified cash basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2012 are as follows:

- The total net cash assets of the District decreased \$45,901 or 0.57% from fiscal year 2011.
- General cash receipts accounted for \$17,778,067 or 82.22% of total governmental activities cash receipts. Program specific cash receipts accounted for \$3,844,565 or 17.78% of total governmental activities cash receipts.
- The District had \$21,668,533 in cash disbursements related to governmental activities; \$3,844,565 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes and grants and entitlements) of \$17,778,067 were not adequate to provide for these programs.
- The District's major funds are the general fund, bond retirement fund and building fund. The general fund, the District's largest major fund, had cash receipts and other financing sources of \$16,460,565 in fiscal year 2012. The cash disbursements and other financing uses of the general fund totaled \$15,861,320 in fiscal year 2012. The general fund cash balance increased \$599,245 during fiscal year 2012.
- The bond retirement fund, a District major fund, had cash receipts of \$2,656,022 in fiscal year 2012. The bond retirement fund had cash disbursements of \$2,608,245 in fiscal year 2012. The bond retirement fund cash balance increased \$47,777 during fiscal year 2012.
- The building fund, a District major fund, had cash receipts of \$731 in fiscal year 2012. The building fund had cash disbursements of \$361,965 in fiscal year 2012. The building fund cash balance decreased \$361,234 during fiscal year 2012.

**Using the Modified Cash Basis Basic Financial Statements (BFS)**

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

The statement of net assets – modified cash basis and statement of activities – modified cash basis provide information about the activities of the whole District, presenting an aggregate view of the District's modified cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, there are three major governmental funds. The general fund is the largest major fund.

**INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)  
(Continued)**

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

The statement of net assets – modified cash basis and the statement of activities – modified cash basis answer the question, “How did we do financially during fiscal year 2012?” These statements include only net assets using the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year’s receipts and disbursements if the cash is actually received or paid.

These two statements report the District’s net cash assets and changes in those assets on a modified cash basis. This change in net cash assets is important because it tells the reader that, for the District as a whole, the modified cash basis financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District’s property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs and other factors.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

In the statement of activities – modified cash basis, the governmental activities include District’s programs and services including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The statement of net assets – modified cash basis and the statement of activities – modified cash basis can be found on pages 13-14 of this report.

**Reporting the District’s Most Significant Funds**

***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the District’s major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District’s most significant funds. The District’s major governmental funds are the general fund, bond retirement fund and building fund. The analysis of the District’s major governmental funds begins on page 9.



**INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)  
(Continued)**

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer modified cash basis financial resources that can be readily spent to finance various District programs.

Since the District is reporting on the modified cash basis of accounting, there are no differences in the net cash assets and fund cash balances or changes in net cash assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 15-16 of this report.

The District's budgetary process accounts for certain transactions on a modified cash basis. The budgetary statement for the general fund is presented to demonstrate the District's compliance with annually adopted budgets. The budgetary statement can be found on page 17 of this report.

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary funds are a private-purpose trust fund and an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets – modified cash basis and changes in fiduciary net assets – modified cash basis on pages 18-19. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Financial Statements***

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-44 of this report.

***Government-Wide Financial Analysis***

Recall that the statement of net assets – modified cash basis provides the perspective of the District as a whole.

The table below provides a summary of the District's net cash assets at June 30, 2012 and June 30, 2011.

**INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)  
(Continued)**

**Net Cash Assets**

	<b>Governmental Activities 2012</b>	<b>Governmental Activities 2011</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents	\$7,991,723	\$8,037,624
Total assets	<u>7,991,723</u>	<u>8,037,624</u>
<b>Net cash assets:</b>		
Restricted	2,138,203	3,522,371
Unrestricted	5,853,520	4,515,253
Total net cash assets	<u>\$7,991,723</u>	<u>\$8,037,624</u>

The total net cash assets of the District decreased \$45,901, which represents a 0.57% decrease from fiscal year 2011.

The balance of government-wide unrestricted net cash assets of \$5,853,520 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net cash assets for fiscal years 2012 and 2011.

**Change in Net Cash Assets**

	<b>Governmental Activities 2012</b>	<b>Governmental Activities 2011</b>
<b>Cash receipts:</b>		
<b>Program cash receipts:</b>		
Charges for services and sales	\$1,496,137	\$1,492,747
Operating grants and contributions	2,348,428	2,818,850
Total program cash receipts	<u>3,844,565</u>	<u>4,311,597</u>
<b>General cash receipts:</b>		
Property and other taxes	11,206,167	10,724,369
Unrestricted grants	6,373,807	6,725,258
Investment earnings	11,950	8,518
Miscellaneous	186,143	199,489
Total general cash receipts	<u>17,778,067</u>	<u>17,657,634</u>
Total cash receipts	<u>21,622,632</u>	<u>21,969,231</u>
<b>Cash disbursements:</b>		
<b>Current:</b>		
<b>Instruction:</b>		
Regular	7,451,468	7,732,728
Special	1,697,549	1,691,934
Vocational	224,649	253,281
Other	1,207,737	1,302,783

(Continued)

**INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)  
(Continued)**

**Change in Net Cash Assets  
(Continued)**

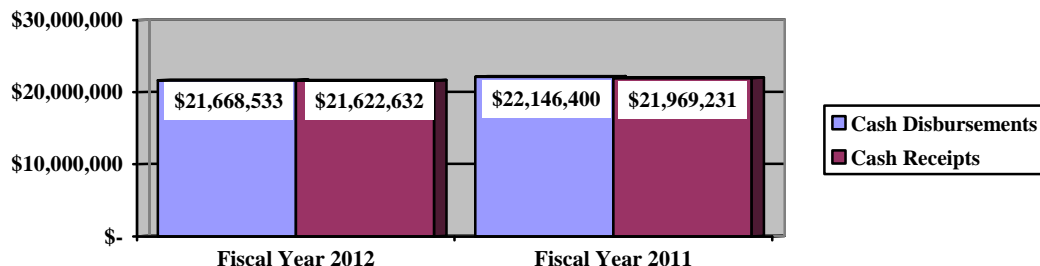
	<b>Governmental Activities 2012</b>	<b>Governmental Activities 2011</b>
<b>Cash disbursements: (Continued)</b>		
<b>Support services:</b>		
Pupil	555,266	610,724
Instructional staff	996,136	1,189,822
Board of education	32,671	17,529
Administration	1,364,528	1,488,438
Fiscal	575,985	550,507
Operations and maintenance	1,404,644	1,538,528
Pupil transportation	1,168,926	1,226,039
Central	349,467	355,696
Operation of non-instruction	738	944
Food service operations	850,226	837,283
Extracurricular	554,620	645,741
Facilities acquisition and construction	687,348	225,092
<b>Debt service:</b>		
Principal retirement	856,992	1,023,285
Interest and fiscal charges	1,689,583	1,456,046
<b>Total cash disbursements</b>	<b>21,668,533</b>	<b>22,146,400</b>
Change in net cash assets	(45,901)	(177,169)
Net cash assets at beginning of year	8,037,624	8,214,793
Net cash assets at end of year	\$7,991,723	\$8,037,624

**Governmental Activities**

Governmental net cash assets decreased by \$45,901 in fiscal year 2012. Total governmental disbursements of \$21,668,533 were offset by program cash receipts of \$3,844,565 and general cash receipts of \$17,778,067. Program cash receipts supported 17.74% of the total governmental disbursements.

The primary sources of receipts for governmental activities are derived from property taxes, and unrestricted grants and entitlements. These receipt sources represent 81.30% of total governmental receipts. Real estate property is reappraised every six years.

**Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements**



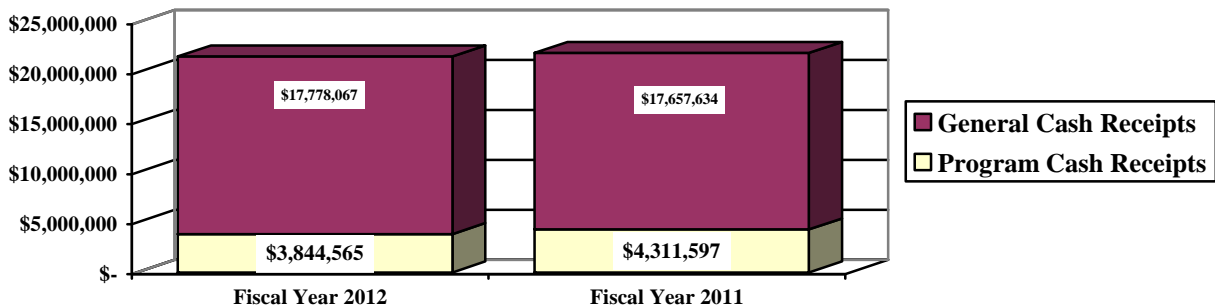
**INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)  
(Continued)**

<b>Governmental Activities</b>				
	<b>Total Cost of Services 2012</b>	<b>Net Cost of Services 2012</b>	<b>Total Cost of Services 2011</b>	<b>Net Cost of Services 2011</b>
<b>Cash disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	\$ 7,451,468	\$ 5,940,052	\$ 7,732,728	\$ 6,203,005
Special	1,697,549	1,179,132	1,691,934	1,141,818
Vocational	224,649	195,918	253,281	224,550
Other	1,207,737	1,202,746	1,302,783	1,289,813
<b>Support services:</b>				
Pupil	555,266	391,919	610,724	348,663
Instructional staff	996,136	745,284	1,189,822	862,342
Board of education	32,671	32,671	17,529	17,529
Administration	1,364,528	1,239,735	1,488,438	1,322,459
Fiscal	575,985	575,985	550,507	550,507
Operations and maintenance	1,404,644	1,402,601	1,538,528	1,266,267
Pupil transportation	1,168,926	1,161,609	1,226,039	1,152,645
Central	349,467	344,067	355,696	295,795
Operation of non-instruction	738	738	944	944
Food service operations	850,226	(18,510)	837,283	(5,802)
Extracurricular	554,620	372,954	645,741	459,845
Facilities acquisition and construction	687,348	510,492	225,092	225,092
<b>Debt service:</b>				
Principal retirement	856,992	856,992	1,023,285	1,023,285
Interest and fiscal charges	1,689,583	1,689,583	1,456,046	1,456,046
<b>Total</b>	<b>\$21,668,533</b>	<b>\$17,823,968</b>	<b>\$22,146,400</b>	<b>\$17,834,803</b>

The dependence upon general cash receipts for governmental activities is apparent; with 82.26% and 80.53% of cash disbursements supported through taxes and other general cash receipts during fiscal years 2012 and 2011, respectively.

**Governmental Activities – General and Program Cash Receipts**



**INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)  
(Continued)**

**Financial Analysis of the Government's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The District's governmental funds are accounted for using the modified cash basis of accounting.

The District's governmental funds reported a combined fund cash balance of \$7,991,723, which is \$45,901 below last year's total of \$8,037,624. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2012 and June 30, 2011, for all major and non-major governmental funds.

	<b>Fund Cash Balance June 30, 2012</b>	<b>Fund Cash Balance June 30, 2011</b>	<b>Increase/ (Decrease)</b>
<b>Major funds:</b>			
General	\$5,114,498	\$4,515,253	\$599,245
Bond retirement	922,507	874,730	47,777
Building	1,038,220	1,399,454	(361,234)
Other non-major governmental funds	916,498	1,248,187	(331,689)
Total	<u>\$7,991,723</u>	<u>\$8,037,624</u>	<u>(\$ 45,901)</u>

**General Fund**

The general fund, the District's largest major fund, had cash receipts and other financing sources of \$16,460,565 in fiscal year 2012. The cash disbursements and other financing uses of the general fund totaled \$15,861,320 in fiscal year 2012. The general fund cash balance increased \$599,245 during fiscal year 2012.

The table that follows assists in illustrating the cash receipts of the general fund during fiscal years 2012 and 2011.

	<b>2012 Amount</b>	<b>2011 Amount</b>	<b>Percentage Change</b>	
<b>Cash receipts:</b>				
Taxes	\$ 8,912,710	\$ 8,681,606	2.66	%
Tuition	900,835	871,340	3.39	%
Earnings on investments	10,979	5,634	94.87	%
Classroom materials and fees	50,562	53,284	(5.11)	%
Other local revenues	29,621	32,775	(9.62)	%
Intergovernmental – state	6,307,500	6,691,802	(5.74)	%
Total	<u>\$16,212,207</u>	<u>\$16,336,441</u>	(0.76)	%

Overall cash receipts decreased \$124,234 or 0.76% during fiscal year 2012. Earnings on investments increased \$5,345 or 94.87% primarily due to cash receipts in fiscal year 2012 related to the rental of real property (easements) held for income purposes. Intergovernmental – state cash receipts decreased \$384,302 or 5.74% mainly due to a reduction in tangible personal property tax loss reimbursements. All other cash receipt classifications remained comparable to fiscal year 2011.

**INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)  
(Continued)**

The table that follows assists in illustrating the cash disbursements of the general fund during fiscal years 2012 and 2011.

	<u>2012 Amount</u>	<u>2011 Amount</u>	<u>Percentage Change</u>	
<b>Cash disbursements:</b>				
Instruction	\$ 9,756,235	\$10,009,124	(2.53)	%
Support services	5,730,004	5,601,424	2.30	%
Operation of non-instruction services	738	944	(21.82)	%
Extracurricular	341,543	470,945	(27.48)	%
Total	<u>\$15,828,520</u>	<u>\$16,082,437</u>	(1.58)	%

Overall cash disbursements decreased \$253,917 or 1.58% during fiscal year 2012. Extracurricular cash disbursements decreased \$129,402 or 27.48%, which is indicative of the District's attempt to cut costs by reducing spending on after school programs and activities. Although the percentage decrease of the operation of non-instruction services was significant, the actual dollar amount was not. All other cash disbursement classifications remained comparable to fiscal year 2011.

***Bond Retirement Fund***

The bond retirement fund, a District major fund, had cash receipts of \$2,656,022 in fiscal year 2012. The bond retirement fund had cash disbursements of \$2,608,245 in fiscal year 2012. The bond retirement fund cash balance increased \$47,777 during fiscal year 2012.

***Building Fund***

The building fund, a District major fund, had cash receipts of \$731 in fiscal year 2012. The building fund had cash disbursements of \$361,965 in fiscal year 2012. The building fund cash balance decreased \$361,234 during fiscal year 2012.

***Budgeting Highlights – General Fund***

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

For the general fund, final budgetary basis receipts and other financing sources of \$16,412,667 were \$217,268 above original budget estimates of \$16,195,399. The actual budgetary basis receipts and other financing sources of \$16,400,026 were less than final budget estimates by \$12,641. The final budgetary basis disbursements and other financing uses of \$16,218,420 were \$473,348 below original budget estimates of \$16,691,768. The actual budgetary basis disbursements and other financing uses of \$15,847,700 were \$370,720 less than the final budget estimates.

**Capital Assets and Debt Administration**

***Capital Assets***

The District does not record capital assets in the accompanying modified cash basis basic financial statements, but records payments for capital assets as disbursements. The District had facilities acquisition and construction disbursements of \$687,348 during fiscal year 2012.

**INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)  
(Continued)**

***Debt Administration***

The District had the following long-term obligations outstanding at June 30, 2012 and June 30, 2011.

	<b>Governmental Activities 2012</b>	<b>Governmental Activities 2011</b>
2008 Construction and Improvement Bonds	\$ 2,880,000	\$ 2,980,000
2008 Capital Appreciation Bonds	44,999	44,999
2007 Advance Refunding Bonds	15,075,000	15,460,000
2007 Capital Appreciation Bonds	621,887	621,887
2005 Advance Refunding Bonds	6,110,000	6,250,000
2005 Capital Appreciation Bonds	419,990	419,990
1998 Capital Appreciation Bonds	114,918	149,613
1996 Capital Appreciation Bonds	384,755	582,052
Total long-term obligations	<u>\$25,651,549</u>	<u>\$26,508,541</u>

**Current Financial Related Activities**

With the five-year forecast submitted by all schools to the Ohio Department of Education projecting a loss of revenue to the tune of \$1.1 billion from their peak to fiscal year 2014, it is safe to say that the District is not in this alone. The current financial challenge for school districts is to provide a quality education with limited or declining revenue. The State of Ohio's educational funding laws, the economy, as well as rising operating costs are the main factors that impact the District's financial stability.

As the preceding information reflects, the District relies heavily upon real estate property taxes and intergovernmental unrestricted State aid. Tax and intergovernmental cash receipts account for approximately 94% of the general fund cash receipts in fiscal year 2012, with real estate property taxes providing the largest portion. Real estate property taxes increased slightly while State aid decreased by 5.74% causing total general fund cash receipts to decrease by \$124,234.

As stated above, the District receives most of its funding from the property taxes of District residents. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall receipts generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). Over the past several years the District has received support from the residents of the District. The residents renewed an emergency operating levy in 2008, which is the third time the levy has been renewed since 1999. The local residents have taken pride in the District and have supported two bond issues since 1995 to update District facilities in conjunction with the Ohio Schools Facilities Expedited Local Partnership Program. The District now has all facilities on one campus with a new elementary building completed in August of 2009 that houses grades K-4, a middle school building completed in December of 2004 that houses grades 5-8, and an updated (2004) high school building that houses grades 9-12. These new and upgraded facilities have increased community pride while providing a more modern and enhanced learning environment for the students.

Prior to 2004, the District received tangible personal property tax from local business to help support the District. Since that time the State has enacted the commercial activity tax (CAT) to replace the tangible personal property tax. The commercial activity tax flows through the State to be distributed to schools in hopes that new businesses will locate in the State of Ohio. From fiscal year 2004 to fiscal year 2011, the District has been held harmless for this change in tax collections at the 2004 tax level by receiving money from the State. However, Ohio's new biennium budget for fiscal years 2012 and 2013 reduces the tangible property tax reimbursement quicker than anticipated due to an \$8 billion budget shortfall in the State economy and the loss of federal stimulus funds.

**INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)  
(Continued)**

Since the District's receipt sources are projected to continue to decline, the Board of Education, administration and staff have worked together to lower personnel costs by reducing staff through attrition, taking a 0% increase in fiscal year 2012, a wage freeze in fiscal year 2013, as well as decreasing the Board's share of personnel benefits. These reductions have taken place while the District has been able to move from an academic watch district to an excellent rated school district over the last ten years. The Board of Education has also passed a resolution to place a new levy on the ballot in November to eventually replace the current emergency levy. This is a testament to the commitment the staff, Board of Education, administration, and community members have to the students.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Coleen Reprogle, Treasurer, Indian Lake Local School District, 6210 St. Rt. 235 North, Lewistown, OH 43333.



**INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
JUNE 30, 2012**

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$7,991,723
Total assets	<u>7,991,723</u>
<b>Net Cash Assets:</b>	
<b>Restricted for:</b>	
Capital projects	1,038,220
Debt service	922,507
Locally funded programs	78,463
Federally funded programs	2,733
Student activities	65,211
Other purposes	31,069
Unrestricted	5,853,520
Total net cash assets	<u>\$7,991,723</u>

*See accompanying notes to the basic financial statements.*

**INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Cash Assets</u>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants, Contributions and Interest</u>	<u>Total</u>
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$7,451,468	\$951,897	\$559,519	(\$5,940,052)
Special	1,697,549	2,647	515,770	(1,179,132)
Vocational	224,649		28,731	(195,918)
Other	1,207,737		4,991	(1,202,746)
<b>Support services:</b>				
Pupil	555,266		163,347	(391,919)
Instructional staff	996,136	3,425	247,427	(745,284)
Board of education	32,671			(32,671)
Administration	1,364,528	586	124,207	(1,239,735)
Fiscal	575,985			(575,985)
Operations and maintenance	1,404,644	2,043		(1,402,601)
Pupil transportation	1,168,926		7,317	(1,161,609)
Central	349,467		5,400	(344,067)
Operation of non-instructional services	738			(738)
Food service operations	850,226	353,873	514,863	18,510
Extracurricular	554,620	181,666		(372,954)
Facilities acquisition and construction	687,348		176,856	(510,492)
<b>Debt service:</b>				
Principal retirement	856,992			(856,992)
Interest and fiscal charges	1,689,583			(1,689,583)
<b>Total governmental activities</b>	<u>\$21,668,533</u>	<u>\$1,496,137</u>	<u>\$2,348,428</u>	<u>(17,823,968)</u>
<b>General Cash Receipts:</b>				
<b>Property and other taxes levied for:</b>				
General purposes				8,912,710
Debt service				2,293,457
Grants and entitlements not restricted to specific programs				6,373,807
Investment receipts				11,950
Miscellaneous				186,143
<b>Total general cash receipts</b>				<u>17,778,067</u>
Change in net cash assets				(45,901)
Net Cash Assets - Beginning of Year				<u>8,037,624</u>
Net Cash Assets - End of Year				<u>\$7,991,723</u>

See accompanying notes to the basic financial statements.

**INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents	\$5,114,498	\$922,507	\$1,038,220	\$916,498	\$7,991,723
Total assets	<u>5,114,498</u>	<u>922,507</u>	<u>1,038,220</u>	<u>916,498</u>	<u>7,991,723</u>
<b>Fund Cash Balances:</b>					
<b>Restricted:</b>					
Debt service		922,507			922,507
Capital improvements			1,038,220		1,038,220
Food service operations				31,069	31,069
Special education				31	31
Targeted academic assistance				69	69
Extracurricular activities				65,211	65,211
Other purposes				81,096	81,096
<b>Committed:</b>					
Capital improvements				739,022	739,022
Termination benefits	724,856				724,856
Construction project stipends	67,552				67,552
Other purposes	11,000				11,000
<b>Assigned:</b>					
Student instruction	1,531				1,531
Student and staff support	59,758				59,758
Extracurricular activities	150				150
School supplies	371				371
Technology use	78				78
Elementary school books	4,568				4,568
Unassigned	4,244,634				4,244,634
Total fund cash balances	<u>\$5,114,498</u>	<u>\$922,507</u>	<u>\$1,038,220</u>	<u>\$916,498</u>	<u>\$7,991,723</u>

See accompanying notes to the basic financial statements.

INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
<b>Cash Receipts:</b>					
<b>From local sources:</b>					
Taxes	\$8,912,710	\$2,293,457			\$11,206,167
Tuition	900,835				900,835
Earnings on investments	10,979		\$531	\$440	11,950
Charges for services				352,838	352,838
Extracurricular				182,896	182,896
Classroom materials and fees	50,562				50,562
Rental income	813				813
Contributions and donations				5,866	5,866
Contract services	7,158			1,035	8,193
Other local revenues	21,650	27,185	200	137,108	186,143
Intergovernmental - state	6,307,500	335,380		45,975	6,688,855
Intergovernmental - federal				2,027,514	2,027,514
Total cash receipts	<u>16,212,207</u>	<u>2,656,022</u>	<u>731</u>	<u>2,753,672</u>	<u>21,622,632</u>
<b>Cash Disbursements:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	6,921,193			530,275	7,451,468
Special	1,407,647			289,902	1,697,549
Vocational	224,649				224,649
Other	1,202,746			4,991	1,207,737
<b>Support services:</b>					
Pupil	390,443			164,823	555,266
Instructional staff	750,677			245,459	996,136
Board of education	32,671				32,671
Administration	1,240,238			124,290	1,364,528
Fiscal	514,313	61,670	2		575,985
Operations and maintenance	1,368,150			36,494	1,404,644
Pupil transportation	1,089,445			79,481	1,168,926
Central	344,067			5,400	349,467
Operation of non-instructional services	738				738
Food service operations				850,226	850,226
Extracurricular	341,543			213,077	554,620
Facilities acquisition and construction			361,963	325,385	687,348
<b>Debt service:</b>					
Principal retirement		856,992			856,992
Interest and fiscal charges		1,689,583			1,689,583
Total cash disbursements	<u>15,828,520</u>	<u>2,608,245</u>	<u>361,965</u>	<u>2,869,803</u>	<u>21,668,533</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>383,687</u>	<u>47,777</u>	<u>(361,234)</u>	<u>(116,131)</u>	<u>(45,901)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	165,000				165,000
Transfers (out)				(165,000)	(165,000)
Advances in	83,358			32,800	116,158
Advances (out)	(32,800)			(83,358)	(116,158)
Total other financing sources (uses)	<u>215,558</u>			<u>(215,558)</u>	
Net change in fund cash balances	599,245	47,777	(361,234)	(331,689)	(45,901)
Fund Cash Balances - Beginning of Year	4,515,253	874,730	1,399,454	1,248,187	8,037,624
Fund Cash Balances - End of Year	<u>\$5,114,498</u>	<u>\$922,507</u>	<u>\$1,038,220</u>	<u>\$916,498</u>	<u>\$7,991,723</u>

See accompanying notes to the basic financial statements.

**INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Budgetary Basis Receipts:</b>				
<b>From local sources:</b>				
Taxes	\$8,896,587	\$8,878,258	\$8,912,710	\$34,452
Tuition	893,129	927,696	900,835	(26,861)
Earnings on investments	5,126	5,000	10,502	5,502
Classroom materials and fees	13,328	13,000	11,965	(1,035)
Rental income	1,025	1,000	813	(187)
Contributions and donations	2,513	500		(500)
Contract services	3,076	3,000	7,158	4,158
Other local revenues	5,126	5,000	5,510	510
Intergovernmental - state	6,325,230	6,331,355	6,307,500	(23,855)
Total budgetary basis receipts	<u>16,145,140</u>	<u>16,164,809</u>	<u>16,156,993</u>	<u>(7,816)</u>
<b>Budgetary Basis Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	7,143,900	6,876,240	6,796,929	79,311
Special	1,365,794	1,310,171	1,407,998	(97,827)
Vocational	242,037	242,726	225,466	17,260
Other	1,284,382	1,272,263	1,202,746	69,517
<b>Support services:</b>				
Pupil	413,839	413,010	398,343	14,667
Instructional staff	767,430	768,608	749,061	19,547
Board of education	19,230	30,704	35,671	(4,967)
Administration	1,393,505	1,353,725	1,242,994	110,731
Fiscal	529,142	532,304	515,913	16,391
Operations and maintenance	1,544,998	1,464,857	1,366,540	98,317
Pupil transportation	1,142,742	1,112,194	1,069,043	43,151
Central	328,470	326,591	348,465	(21,874)
Operation of non-instructional services	35,821	20,702	738	19,964
Extracurricular	347,217	346,225	341,693	4,532
Total budgetary basis disbursements	<u>16,558,507</u>	<u>16,070,320</u>	<u>15,701,600</u>	<u>368,720</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements	<u>(413,367)</u>	<u>94,489</u>	<u>455,393</u>	<u>360,904</u>
<b>Other Financing Sources (Uses):</b>				
Refund of prior year's expenditures	8,750	49,500	49,684	184
Transfers (out)	(40,000)	(6,800)	(4,800)	2,000
Advances in	39,972	196,858	191,858	(5,000)
Advances (out)	(93,261)	(141,300)	(141,300)	
Sale of capital assets	1,537	1,500	1,491	(9)
Total other financing sources (uses)	<u>(83,002)</u>	<u>99,758</u>	<u>96,933</u>	<u>(2,825)</u>
Net change in fund cash balance	(496,369)	194,247	552,326	358,079
Fund Cash Balance - Beginning of Year	3,629,906	3,629,906	3,629,906	
Prior Year Encumbrances Appropriated	134,600	134,600	134,600	
Fund Cash Balance - End of Year	<u>\$3,268,137</u>	<u>\$3,958,753</u>	<u>\$4,316,832</u>	<u>\$358,079</u>

See accompanying notes to the basic financial statements.

**INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2012**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents	\$16,731	\$125,610
Investments	100,000	
Total assets	116,731	125,610
<b>Liabilities:</b>		
Held for student activities		\$125,610
<b>Net Cash Assets:</b>		
Held in trust for scholarships	116,731	
Total net cash assets	\$116,731	

*See accompanying notes to the basic financial statements.*

INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Interest	\$1,298
Gifts and contributions	3,030
Total additions	<u>4,328</u>
<b>Deductions:</b>	
Scholarships awarded	<u>7,859</u>
Change in net cash assets	(3,531)
Net Cash Assets - Beginning of Year	<u>120,262</u>
Net Cash Assets - End of Year	<u><u>\$116,731</u></u>

*See accompanying notes to the basic financial statements.*

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**INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**1. DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District was established in 1962 through the consolidation of existing land areas and school districts. The District serves an area of approximately 110 square miles. It is located in Logan County, and includes all of the Village of Russells Point, Village of Lakeview, and Village of Huntsville. The District is staffed by 84 non-certificated employees, 123 certificated full-time teaching personnel, and 10 administrative employees who provide services to 1,786 students and other community members. The District currently operates two elementary school buildings, one middle school building, and one comprehensive high school building, which includes the administrative offices, and one bus garage.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed in Note 2.B., these financial statements are presented on the modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these modified cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

The following organizations are described due to their relationship to the District:

**INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. Jointly Governed Organizations**

**Western Ohio Computer Organization (WOCO)**

The District is a participant in the Western Ohio Computer Organization (WOCO), which is a computer consortium. WOCO is an association of various public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, Shelby, and Miami Counties. 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 of member school districts. Each of the governments of these districts supports WOCO based upon a per pupil charge dependent on the software package utilized. In accordance with GASB Statement No. 14, the District does not have an equity interest in WOCO, as the residual interest in net resources of the joint venture upon dissolution is not equivalent to an equity interest. WOCO is governed by a board of directors consisting of the superintendents of the member school districts and the degree of control is limited to the representation on the board. Financial information can be obtained from Donn Walls, who serves as Director, at 129 East Court Street, Sidney, Ohio 45365.

**Ohio Hi-Point Joint Vocational School**

The Ohio Hi-Point Joint Vocational School District is a political subdivision of the State of Ohio, which possesses its own budgeting and taxing authority. The Vocational School is governed by a board of education that consists of a representative from each participating school district and its degree of control is limited to its representation on the board. To obtain financial information write to the Ohio Hi-Point Vocational School, Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311.

**Metropolitan Educational Council**

The Metropolitan Education Council (MEC) is a purchasing cooperative made up of nearly 124 districts in 22 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the MEC. The Governing Board of MEC consists of one voting representative from each member district. To obtain financial information, write to the Metropolitan Educational Council, Elmo Kallner, who serves as Director, 6100 Channingway Boulevard, Suite 604, Columbus, Ohio 43232.

**Educational Regional Service System Region 6**

The District participates in the Educational Regional Service System (ERSS) Region 6, a jointly governed organization consisting of educational entities within Allen, Auglaize, Champaign, Hardin, Logan, Mercer, and Shelby counties. The purpose of the ERSS is to provide support services to school districts, community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is the policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts.

**INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of each region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative. The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council. Financial information can be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Ave., Suite 2, Wapakoneta, Ohio 45895.

**Logan County Education Foundation**

The Logan County Education Foundation was established to secure and distribute contributions from individuals, corporations, and foundations for the benefit of students within the county. The Foundation promotes, sponsors, and encourages the pursuit of excellence in education for students. The Foundation is managed by a Board of Trustees composed of six trustees from each school district. These trustees are nominated by their local school boards including Bellefontaine City School District, Benjamin Logan Local School District, Indian Lake Local School District, and Riverside Local School District. The Executive Board is comprised of the Logan County Educational Service Center Superintendent representing the three local school districts and the Bellefontaine City School District Superintendent representing the city school district. Financial information can be obtained by contacting the Eric Adelsberger, who serves as Financial Advisor, 2626 County Road 18, Bellefontaine, Ohio 43311.

**2. Insurance Purchasing Pools**

**Workers' Compensation Group Rating Program**

The District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP). The GRP is sponsored by OASBO and administered by CompManagement, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The District pays a fee to the GRP to cover the costs of administering the program.

**Logan County Schools Benefit Plan Association**

The District participates in the Logan County Schools Benefit Plan Association (the "Plan"); a public entity shared risk pool consisting of one educational service center, one joint vocational school district, and three local school districts. The District pays monthly premiums to the Plan for employee life insurance, and dental and medical benefits. The Plan is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Related Organization**

**Logan County District Library**

The Logan County District Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Judge of Common Pleas Court. The Board of Trustees possesses its own contracting and budgeting authority, hires and fire personnel and does not depend on the district for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Logan County District Library, Clerk/Treasurer, at 220 North Main, Bellefontaine, Ohio 43311.

**B. Basis of Accounting**

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the modified cash basis of accounting. The modified cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

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

**C. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District has no proprietary funds.

**1. Governmental Funds**

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following are the District's major governmental funds:

**General fund** –The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund cash balance is available for any purpose provided it is disbursed or transferred according to the general laws of Ohio.

**Bond retirement fund** – The bond retirement fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

**INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Building fund** – The building fund is used to account for the receipts and disbursements related to all special bond funds in the District.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

**2. Fiduciary Funds**

Fiduciary fund reporting focuses on net cash assets and changes in net cash assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for cash assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's private purpose trust fund accounts for programs that provide college scholarships for students after graduation. Agency funds are custodial in nature and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

**D. Basis of Presentation**

**1. Government-wide Financial Statements**

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

The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the modified cash basis or draws from the general receipts of the District.

**2. Fund Financial Statements**

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund.

**INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The District budgets and appropriates its agency funds. The primary level of budgetary control is at the fund, object level for the general fund, and the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**1. Tax Budget**

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

**2. Estimated Resources**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund.

Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the original and final amended certificate issued during fiscal year 2012.

**3. Appropriations**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund-object level of expenditures for the general fund, and at the fund level for all other funds, which are the legal level of budgetary controls. Prior to the passage of the annual appropriations measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District.

**INDIAN LAKE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation total of any level of control. Any revisions that alter the total object appropriations within a fund (for general fund), or the total of any fund appropriation (for all other funds) must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statement of budgetary comparisons represent the original and final appropriation amounts, including all supplemental appropriations.

**4. Encumbrances**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations.

**5. Lapsing of Appropriations**

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

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2012, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and federal agency securities. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

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 Rue 2a7 of the Investment Company act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2012.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest receipts credited to the general fund during fiscal year 2012 amounted to \$10,979, which includes \$3,035 assigned from other funds.

**INDIAN LAKE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

An analysis of the District's investment account at year end is provided in Note 4.

**G. Capital Assets**

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the modified cash basis of accounting. Depreciation has not been reported for any capital assets.

**H. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the modified cash basis of accounting.

**I. Long-Term Obligations**

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the modified cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal and interest payments.

**J. Employer Contributions to Cost-Sharing Pension Plans**

The District recognizes the disbursements for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement healthcare.

**K. Fund Cash Balance**

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

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

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



**INDIAN LAKE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Committed** – The committed fund cash balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District 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 cash 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 fund cash balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund cash balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

**Unassigned** – Unassigned fund cash 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 only used to report a deficit fund cash 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 restricted and unrestricted (committed, assigned, and unassigned) fund cash balance is available. Similarly, within unrestricted fund cash 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 cash balance classifications could be used.

**L. Inventory and Prepaid Items**

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

**M. Interfund Balances**

On fund financial statements, the District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying fund financial statements under the modified cash basis of accounting. Advances are eliminated in the governmental activities column on the statement of net assets.

**N. Net Cash Assets**

Net cash assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net cash assets are available. The District did not have any net cash assets restricted by enabling legislation at June 30, 2012.

**INDIAN LAKE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the 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 enabling legislation. The District did not have any restricted assets at June 30, 2012.

**P. Interfund Activity**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements.

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

**B. Compliance**

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the 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. The District can be fined and various other administrative remedies may be taken against the District.

**INDIAN LAKE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**4. DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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 five years 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 Notes, Bills, Bonds, 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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, or legal 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 items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

**INDIAN LAKE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

9. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**A. Cash on Hand**

At year end, the District had \$225 in un-deposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

**B. Deposits with Financial Institutions**

At June 30, 2012, the carrying amount of all District deposits was \$7,055,172. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$4,903,913 of the District's bank balance of \$7,348,016 was exposed to custodial risk as discussed below, while \$2,444,103 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**C. Investments**

As of June 30, 2012, the District had the following investments and maturities:

Investment type	Balance at Carrying Value	Balance at Fair Value	Investment Maturities				
			6 months Or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
STAR Ohio	\$1,078,667	\$1,078,667	\$1,078,667				
FHLMC	50,000	50,185					\$ 50,000
FNMA	50,000	50,124					50,000
	<u>\$1,178,667</u>	<u>\$1,178,976</u>	<u>\$1,078,667</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$100,000</u>

The weighted average maturity of investments is 0.36 years.

**INDIAN LAKE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

**Interest Rate Risk:** Interest rate risk arises when potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

**Credit Risk:** STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

**Custodial Credit Risk:** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the 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 federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**Concentration of Credit Risk:** The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2012:

Investment type	Carrying Value	% to Total
STAR Ohio	\$1,078,667	91.52
FHLMC	50,000	4.24
FNMA	50,000	4.24
	\$1,178,667	100.00

**D. Reconciliation of Cash to the Statement of Net Assets**

The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net assets as of June 30, 2012:

<b>Cash per note</b>	
Carrying amount of deposits	\$7,055,172
Investments	1,178,667
Cash on hand	225
Total	\$8,234,064

<b>Cash per statement of net assets</b>	
Governmental activities	\$7,991,723
Private purpose trust funds	116,731
Agency fund	125,610
Total	\$8,234,064

**INDIAN LAKE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**5. INTERFUND TRANSACTIONS**

- A.** Interfund transfers for the year ended June 30, 2012, consisted of \$165,000 from the permanent improvement fund (a non-major governmental fund) to the general fund. This was an allowable transfer because the general fund was the fund that initially funded the permanent improvement fund (a non-major governmental fund).

Transfers are used to move cash receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to disburse them and to use unrestricted cash receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported in the statement of activities.

- B.** During fiscal year 2012, advances consisted of \$32,800 from the general fund to non-major governmental funds and \$83,358 from non-major governmental funds to the general fund.

Interfund advances between governmental funds are eliminated on the government-wide financial statements; therefore no advances are reported in the statement of activities.

**6. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 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 revenues 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 April 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 property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2012 (other than public utility property) generally represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010 on the value as of December 31, 2010. Amounts paid by multi-county taxpayers were due September 20, 2011. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2011, with the remainder payable by September 20, 2011.

**INDIAN LAKE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**6. PROPERTY TAXES (Continued)**

The District receives property taxes from Logan and Auglaize Counties. The County Auditors periodically advance to the 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 2012 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2012 taxes were collected are:

	<b>2011 Second Half Collections</b>		<b>2012 First Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/residential and other real estate	\$362,106,780	96.96	\$363,346,090	97.03
Public utility personal	11,086,260	2.97	11,121,800	2.97
Tangible personal property	261,940	0.07		
<b>Total</b>	<b>\$373,454,980</b>	<b>100.00</b>	<b>\$374,467,890</b>	<b>100.00</b>
Tax rate per \$1,000 of assessed valuation	\$50.85		\$50.85	

**7. LONG-TERM OBLIGATIONS**

During fiscal year 2012, the following changes occurred in the District's long-term obligations:

	<b>Balance Outstanding June 30, 2011</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance Outstanding June 30, 2012</b>	<b>Amounts Due in One Year</b>
<b>Governmental activities:</b>					
2008 Construction and Improvement	\$ 2,980,000		(\$100,000)	\$ 2,880,000	\$100,000
2008 Capital Appreciation Bonds	44,999			44,999	
2007 Advance Refunding Bonds	15,460,000		(385,000)	15,075,000	400,000
2007 Capital Appreciation Bonds	621,887			621,887	
2005 Advance Refunding Bonds	6,250,000		(140,000)	6,110,000	145,000
2005 Capital Appreciation Bonds	419,990			419,990	
1998 Capital Appreciation Bonds	149,613		(34,695)	114,918	30,038
1996 Capital Appreciation Bonds	582,052		(197,297)	384,755	199,866
<b>Total governmental activities</b>	<b>\$26,508,541</b>	<b>\$0</b>	<b>(\$856,992)</b>	<b>\$25,651,549</b>	<b>\$874,904</b>

**2008 School Facilities Construction and Improvement General Obligation Bonds** – On December 10, 2008, the District issued \$3,124,999 in voted general obligation bonds for construction and improvements to the school buildings, with an interest rate ranging from 3.00% - 5.25%. The bond issue included current interest serial bonds and capital appreciation serial bonds in the amount of \$3,080,000 and \$44,999, respectively. The bonds were issued for a twenty-six year period with a final maturity at December 1, 2034. The bonds will be retired with a voted property tax levy from the bond retirement fund.

The capital appreciation serial bonds will mature in fiscal years 2017 through 2019. The maturity amounts of the bonds are \$110,000, \$110,000, and \$110,000, respectively, for a total maturity of \$330,000.

**INDIAN LAKE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**7. LONG-TERM OBLIGATIONS (Continued)**

**2007 School Facilities Construction Improvement and Refunding General Obligation Bonds**

– On March 14, 2007, the District issued \$18,001,887 in general obligation School Facilities Construction Improvement and refunding bonds with an average interest rate of 4.00 percent for the purpose of advance refunding \$3,335,000 of the 1998 Construction and Improvement Bonds and issuing new bonds of \$14,666,887. The bonds were issued for a 27 year period with a final maturity at December 1, 2034. Proceeds of \$3,482,286 were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1998 series bonds. As a result, the 1998 series bonds are considered to be defeased.

The current interest term bonds maturing December 1, 2034, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2026	\$615,000
2027	650,000
2028	680,000
2029	715,000
2030	750,000
2031	785,000
2032	825,000
2033	870,000

The remaining principal amount of such current interest bonds, \$720,000, will mature at the stated maturity on December 1, 2034.

The current interest bonds maturing after December 1, 2017 are subject to redemption at the option of the District, either in whole or in part, in such order as the District shall determine, on any interest payment date on or after June 1, 2017, at redemption prices equal to the date fixed for redemption.

When partial redemption is authorized, the current interest bonds or portions thereof will be selected by lot within a maturity in such manner as the Bond Registrar may determine, provided, however, that the portion of any such bond so selected will be in the amount of \$5,000 or any integral multiple thereof.

If optional redemption of current interest bonds at a redemption exceeding 100 percent is to take place on any date on which a mandatory redemption of such bonds of the same maturity will take place, such bonds to be redeemed by optional redemption are to be selected by the Bond Registrar prior to the selection of such bonds to be redeemed at par on the same date.

The capital appreciation serial bonds will mature in fiscal years 2017 through 2018. The maturity amounts of the bonds are \$470,000 and \$745,000, respectively, for a total maturity of \$1,215,000.



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FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**7. LONG-TERM OBLIGATIONS (Continued)**

**2005 Advance Refunding General Obligation Bonds** – On April 21, 2005, the District issued \$8,419,990 in general obligation advance refunding bonds with an approximate average interest rate of 3.65 percent for the purpose of advance refunding \$8,420,000 of the 1996 Construction and Improvement Bonds. The bond issue included \$8,000,000 of current issue serial bonds and \$420,000 of capital appreciation bonds. The bonds were issued for an eighteen-year period with a final maturity at December 1, 2022. The net proceeds of \$8,898,708 (after payment of \$128,083 issuance costs) were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1996 series bonds. As a result, the 1996 series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets.

Current interest bonds maturing after December 1, 2015, are subject to redemption at the option of the District, either in whole or in part, in such order as the District shall determine, on any payment date on or after June 1, 2015, at the redemption price equal to 100 percent of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

When partial redemption is authorized, the current interest bonds or portions thereof will be selected by lot within a maturity in such manner as the Bond Registrar may determine, provided however, that the portion of any such bond so selected will be in the amount of \$5,000 or any integral multiple thereof.

If optional redemption of current interest bonds at a redemption exceeding 100 percent is to take place on any date on which a mandatory redemption of such bonds of the same maturity will take place, such bonds to be redeemed by optional redemption are to be selected by the Bond Registrar prior to the selection of such bonds to be redeemed at par on the same date.

The capital appreciation serial bonds will mature in fiscal years 2014 through 2015. The maturity amounts of the bonds are \$770,000 and \$775,000 respectively, for a total maturity of \$1,545,000.

**1998 General Obligation Bonds** – On March 1, 1998, the District issued \$4,999,613 in voted general obligation bonds for construction and improvements to the school buildings. The bond issue included current interest serial, current interest term, and capital appreciation serial bonds in the amount of \$1,940,000, \$2,910,000 and \$149,613, respectively. On March 14, 2007 a portion of the current interest bonds were refunded leaving an outstanding balance of \$420,000. These bonds matured December 1, 2010. The bonds were retired with a voted property tax levy from the bond retirement fund.

The remaining capital appreciation serial bonds will mature in years 2013 through 2017. The maturity amounts of the bonds are \$250,000 each, for a total maturity of \$1,250,000.

**1996 General Obligation Bonds** – On February 1, 1996, the District issued \$13,099,877 in voted general obligation bonds for construction and improvements to the school buildings. The bond issue included current interest serial, current interest term, and capital appreciation serial bonds in the amount of \$4,560,000, \$7,560,000, and \$979,877, respectively. The bonds were issued for a twenty-eight year period with a final maturity at December 1, 2023. The bonds will be retired with a voted property tax levy from the bond retirement fund.

The current interest serial bonds and all but \$660,000 of the current interest term bonds were paid with the 2005 advance refunding bonds. The remaining principal of the current interest term bonds will mature at the stated maturity on December 1, 2022.

**INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**7. LONG-TERM OBLIGATIONS (Continued)**

The remaining capital appreciation serial bonds will mature in years 2013 and 2014. The maturity amounts of the bonds are \$640,000 each, for a total maturity of \$1,280,000.

Principal and interest requirements to retire general obligation debt at June 30, 2012 are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 874,904	\$ 1,722,411	\$ 2,597,315
2014	875,894	1,715,937	2,591,831
2015	780,358	1,787,849	2,568,207
2016	771,634	1,800,028	2,571,662
2017	1,113,603	1,455,622	2,569,225
2018 – 2022	8,220,156	4,633,041	12,853,197
2023 – 2027	5,565,000	2,406,758	7,971,758
2028 – 2032	4,435,000	1,340,948	5,775,948
2033 – 2035	3,015,000	223,125	3,238,125
Total	<u>\$25,651,549</u>	<u>\$17,085,719</u>	<u>\$42,737,268</u>

**8. RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District maintains comprehensive insurance coverage for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Settled claims resulting from these risks have not exceeded the commercial coverage in any of the past three fiscal years.

The District's comprehensive commercial insurance coverage for real property and building contents has a liability limit of \$81,245,147, a \$2,500 deductible and a 100 percent coinsurance.

The District's fleet insurance has a liability limit of \$2,000,000, \$5,000 for medical payments. The policy includes a \$500 deductible for comprehensive and collision coverage with all buses covered for cash value.

**B. Workers' Compensation**

For fiscal year 2012, the District participated in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

**C. Health Insurance**

The District participates in the Logan County Schools Benefit Plan Association (the "Plan") as described in Note 2.A.

**9. PENSION PLANS**

**A. School Employees Retirement System**

**Plan Description** – The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

**Funding Policy** – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$290,595, \$276,522 and \$293,625, respectively; 71.88 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**B. State Teachers Retirement System of Ohio**

**Plan Description** – The District participates in 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 STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

**INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**9. PENSION PLANS (Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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 fiscal year 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 member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$982,179, \$1,036,299 and \$1,056,799, respectively; 83.65 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 SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**10. POSTEMPLOYMENT BENEFITS**

**A. 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 the 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 "Employers/Audit Resources".

**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€ For 2012, 0.55 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 (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$12,585, \$33,482 and \$10,569, respectively; 71.88 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 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 \$17,161, \$17,795 and \$17,461, respectively; 71.88 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**10. POSTEMPLOYMENT BENEFITS (Continued)**

**B. State Teachers Retirement System of Ohio**

**Plan Description** – The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the “Plan”) administered by the State Teachers Retirement System of Ohio (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 the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), under “Publications” or by calling (888) 227-7877.

**Funding Policy** – Ohio law authorizes STRS Ohio to offer the 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 Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District’s contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$75,552, \$79,715 and \$81,292, respectively; 83.65 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**11. CONTINGENCIES**

**A. Grants**

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.

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General fund or other applicable funds. This also encompasses the Auditor of State’s ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

**B. Litigation**

The District is not party to legal proceedings that would have a material effect, if any, on the financial condition of the District.

**12. SET-ASIDES**

The District is required by State law to annually set-aside certain general fund cash receipt amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Disbursements and offsets exceeding the set-aside requirement may not be carried forward to the next fiscal year.

**INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**12. SET-ASIDES (Continued)**

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u><b>Capital Improvements</b></u>
Set-aside balance June 30, 2011	
Current year set-aside requirement	\$313,096
Contributions in excess of the current fiscal year set-aside requirement	
Current year qualifying disbursements	(736,077)
Excess qualified disbursements from prior years	
Current year offsets	
Waiver granted by ODE	
Prior year offset from debt proceeds	
Total	<u>(\$422,981)</u>
Balance carried forward to fiscal year 2013	<u>\$ 0</u>
Set-aside balance June 30, 2012	<u>\$ 0</u>

In prior fiscal years, the District issued \$18,001,887 in capital related debt obligations. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from debt proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of debt proceeds that may be used as an offset in future periods, which was \$18,001,887 at June 30, 2012.

**13. BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the modified cash basis, 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 cash receipts, disbursements and change in fund balance – budget and actual (budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the modified cash basis are that:

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a cash disbursement, as opposed to assigned or committed fund cash balance for that portion of outstanding encumbrances (modified cash basis); and,
- (b) Some funds are included in the general fund (modified cash basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the modified cash basis for the general fund is as follows:

**INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**13. BUDGETARY BASIS OF ACCOUNTING (Continued)**

<b>Net Change in Fund Cash Balance</b>	
	<b>General fund</b>
Budget basis	\$552,326
Funds budgeted elsewhere	2,549
Adjustment for encumbrances	44,370
Modified cash basis	\$599,245

Certain funds that are legally budgeted in separate fund classifications are considered part of the general fund on a modified cash basis. This includes the uniform school supplies fund, public school fund, State/political subdivision fund and termination benefits fund.

**14. CONTRACTUAL COMMITMENTS**

The District is currently involved in capital asset acquisitions which resulted in contractual commitments remaining at fiscal year end. The District had the following contractual commitment outstanding as of June 30, 2012:

<b>Contractor</b>	<b>Project</b>	<b>Contract Amount</b>	<b>Expended</b>	<b>Balance 6/30/12</b>
Cardinal Bus Sales and Service	New School Bus Purchase	\$88,683	\$0	\$88,683

**15. OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund cash balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<b>Fund Type</b>	<b>Year-End Encumbrances</b>
General	\$44,370
Non-major governmental funds	138,800
Total	\$183,170



**INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<b>FEDERAL GRANTOR Pass Through Grantor Program Title</b>	<b>Catalog of Federal Domestic Assistance Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>United States Department of Agriculture</b>					
<i>Passed Through Ohio Department of Education:</i>					
Child Nutrition Cluster:					
School Breakfast Program	10.553	\$142,206		\$142,206	
Non-Cash Assistance (Food Distribution) School Breakfast Program			\$1,153		\$1,153
Total School Breakfast Program		142,206	1,153	142,206	1,153
National School Lunch Program	10.555	362,082		362,082	
Non-Cash Assistance (Food Distribution) National School Lunch Program			37,286		37,286
Total National School Lunch Program		362,082	37,286	362,082	37,286
Total Child Nutrition Cluster - United States Department of Agriculture		504,288	38,439	504,288	38,439
<b>United States Department of Education</b>					
<i>Passed Through Ohio Department of Education:</i>					
Title 1, Part A Cluster					
Title I Grants to Local Educational Agencies	84.010	521,728		528,560	
ARRA Title I Grants to Local Educational Agencies, Recovery Act	84.389	70,677		82,074	
Total Title I, Part A Cluster		592,405		610,634	
Special Education Cluster					
Special Education Grants to State	84.027	385,665		414,990	
ARRA Special Education Grants to States, Recovery Act	84.391	239,403		260,259	
Total Special Education Cluster		625,068		675,249	
Safe and Drug Free Schools and Communities State Grants	84.186	74		74	
Education Technology State Grants	84.318	3,634		3,634	
Rural Education Grant	84.358	6,337		6,337	
Improving Teacher Quality State Grants	84.367	116,065		116,109	
ARRA Vocational Rehabilitation Grants to States, Recovery Act	84.386	17,358		17,358	
Race to the Top Grant	84.395	56,257		54,027	
Education Jobs Grant	84.410	106,027		106,562	
Total Department of Education		1,523,225		1,589,984	
Total Federal Financial Assistance		<u>\$2,027,513</u>	<u>\$38,439</u>	<u>\$2,094,272</u>	<u>\$38,439</u>

*See accompanying Notes to the Schedule of Federal Awards Receipts and Expenditures*

**INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D – MATCHING REQUIREMENTS**

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



# Dave Yost • Auditor of State

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

Indian Lake Local School District  
Logan County  
6210 State Route 235 North  
Lewistown, Ohio 43333

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Indian Lake Local School District, Logan County (the District), as of and for the fiscal 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 uses a comprehensive accounting basis other than generally accepted accounting principles. 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 opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal controls over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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

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

### **Compliance and Other Matters**

As part of 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 we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

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

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



**Dave Yost**  
Auditor of State

November 16, 2012



# Dave Yost • Auditor of State

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

Indian Lake Local School District  
Logan County  
6210 State Route 235 North  
Lewistown, Ohio 43333

To the Board of Education:

### Compliance

We have audited the compliance of Indian Lake Local School District, Logan County (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 each of its 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 express an opinion 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 these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, the Indian Lake Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of 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 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.

**Internal Control Over Compliance  
(Continued)**

*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 the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

November 16, 2012

**INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education – Grants to States - CFDA #84.027 and 84.391 Education Jobs Grant 84.410
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

**FINDING NUMBER 2012-001**

**Noncompliance Citation**

**Ohio Rev. Code Section 117.38** provides that 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 Admin. Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

**Ohio Adm. Code Section 117-2-03(B)** requires the District to file annual financial reports which are prepared using generally accepted accounting principles. For fiscal year 2011, the District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The District should prepare the financial statements according to generally accepted accounting principles to help provide the users with more meaningful financial statements.

**OFFICIALS' RESPONSE:**

In response to Finding Number 2012-001 Noncompliance Citation O.R.C. 117.38; the Indian Lake Board of Education understands that the Ohio Revised Code requires the District's financial statements to be prepared in accordance with GAAP; however, an exception has been implemented by the State Auditor for issuance of an unqualified opinion if GAAP look-alike financial statements have been prepared by the District. Due to cost of the conversion, increased audit cost, and cost of employee resources, the Board feels money that would otherwise be spent on conversion to GAAP is better used to educate the students of Indian Lake Local Schools. In addition, federal security laws do not require GAAP financial statements, and specifically, SEC Rule 15c2-12 relating to continuing disclosure on outstanding debt (which applies to the District) does not require GAAP financial statements.

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

None



**INDIAN LAKE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-001	Ohio Rev. Code Section 117.38 & Ohio Admin. Code Section 117-2-03(B) – Failed to prepare financial statements in accordance with GAAP	No	Repeated as Finding Number 2012-001
2011-002	Ohio Rev. Code Section 5705.41B – Expenditures plus encumbrances exceeded current Appropriations plus Prior Year Carryover	Yes	

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# Dave Yost • Auditor of State

INDIAN LAKE LOCAL SCHOOL DISTRICT

LOGAN 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  
DECEMBER 18, 2012