



Dave Yost • Auditor of State



**LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Lake Local School District  
Stark County  
11936 King Church Avenue, NW  
Uniontown, Ohio 44685

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake Local School District, Stark County, Ohio, as of June 30, 2013, and the respective changes in its financial position and where applicable, cash flows, thereof and the budgetary comparisons for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Federal Awards Receipts and Expenditures Schedule (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

November 8, 2013

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The discussion and analysis of the Lake Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers should review the notes to the financial statements as well as the financial statements themselves to enhance their understanding of the School District's finances.

***Financial Highlights***

Key financial highlights for 2013 are as follows:

- Net position decreased \$.6 million, or 4 percent in governmental activities from fiscal year 2012. Net position in the business-type activities decreased \$83,591.
- Total capital assets increased \$1.9 million during fiscal year 2013. The School District began HB 264 energy conservation improvements.
- During the year, outstanding debt obligations increased from \$23.0 million to \$26.1 million. The School District issued a \$3.9 million bond for the HB 264 project and made maturity payments of \$1.2 million.

***Using this Annual Report***

This annual report consists of the MD&A, the basic financial statements and the notes to the basic financial statements. The basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those 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 School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Lake Local School District, the general fund and debt service funds are the most significant funds.

***Reporting the School District as a Whole***

*Statement of Net Position and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2013?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School 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 School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Position and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- **Governmental Activities** - Most of the School District's programs and services are reported here, including instruction, support services, operation of non-instructional services and extracurricular activities.
- **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District adult and supplemental education programs, food service, and uniform school supplies are reported as business activities.

The government-wide financial statements begin on page 15.

***Reporting the School 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 School District uses fund accounting to ensure compliance with finance-related legal requirements. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and debt service fund.

***Governmental Funds*** Most of the School 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 an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and debt service funds which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

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The School District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements begin on page 18.

**Proprietary Funds** The School District maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The School District uses enterprise funds to account for its food service, uniform supplies, and adult and supplemental education programs.

The proprietary fund financial statements begin on page 23.

**Reporting the School District's Fiduciary Responsibilities**

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. These activities are presented as private purpose trust funds. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The School District's fiduciary activities are reported in separate Statements of Fiduciary Assets and Liabilities and Changes in Fiduciary Net Position on pages 26 and 27. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2013 compared to 2012:

**Table 1**  
**Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Current and Other Assets	\$ 23,306,249	\$ 21,907,501	\$ 379,476	\$ 444,999	\$ 23,685,725	\$ 22,352,500
Capital Assets	35,255,210	33,305,006	93,507	105,096	35,348,717	33,410,102
<i>Total Assets</i>	58,561,459	55,212,507	472,983	550,095	59,034,442	55,762,602
<b>Liabilities</b>						
Other Liabilities	18,470,946	17,507,121	89,565	95,147	18,560,511	17,602,268
Long-Term Liabilities	26,840,827	23,867,712	28,833	16,772	26,869,660	23,884,484
<i>Total Liabilities</i>	45,311,773	41,374,833	118,398	111,919	45,430,171	41,486,752
<b>Net Assets</b>						
Net Investment in Capital Assets	11,648,860	12,301,851	93,507	105,096	11,742,367	12,406,947
Restricted	1,841,673	1,725,617	0	0	1,841,673	1,725,617
Unrestricted	(240,847)	(189,794)	261,078	333,080	20,231	143,286
<i>Total Net Position</i>	\$ 13,249,686	\$ 13,837,674	\$ 354,585	\$ 438,176	\$ 13,604,271	\$ 14,275,850

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At year end, capital assets of the School District represented 60 percent of total assets. Capital assets include, land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. Investment in capital assets was \$11.7 million at June 30, 2013. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$1.8 million or 14 percent, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position is \$20,231.

Current and other assets in the governmental activities increased \$1.4 million from fiscal year 2012 mainly due to a \$1.4 million increase in cash. This can be partially attributed to the \$.9 million in unspent proceeds from debt issued to cover HB 264 improvements. Construction in progress of \$3.1 million less \$1.3 million in depreciation expense account for most of the \$1.9 million increase in capital assets.

Other liabilities in the governmental activities increased \$1 million over fiscal year 2012. This is due to \$.6 million in contracts payable for the HB 264 improvements and a \$.4 million increase in deferred tax revenue at year end.

The timing of food service subsidies receivable contributed to the decrease in business-type activities current assets of \$65,523 from fiscal year 2012 and depreciation expense decreased capital assets by \$11,589. An increase in compensated absences payable accounts for the increase in long term liabilities. In total, net position decreased \$83,591 from fiscal year 2012.

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Table 2 shows the changes in net position for fiscal year 2013 compared to 2012.

**Table 2**  
**Governmental and Business-Type Activities**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services	\$ 722,519	\$ 721,104	\$ 744,354	\$ 868,513	\$ 1,466,873	\$ 1,589,617
Operating Grants	2,178,370	2,067,865	342,598	368,917	2,520,968	2,436,782
Capital Grants	30,114	0	0	0	30,114	0
<b>Total Program Revenues</b>	<b>2,931,003</b>	<b>2,788,969</b>	<b>1,086,952</b>	<b>1,237,430</b>	<b>4,017,955</b>	<b>4,026,399</b>
<i>General Revenues:</i>						
Property Taxes	13,952,599	13,392,604	0	0	13,952,599	13,392,604
Grants and Entitlements Not Restricted	15,307,856	15,420,501	0	0	15,307,856	15,420,501
Other	112,253	23,455	5,287	91	117,540	23,546
<b>Total General Revenues</b>	<b>29,372,708</b>	<b>28,836,560</b>	<b>5,287</b>	<b>91</b>	<b>29,377,995</b>	<b>28,836,651</b>
<b>Total Revenues</b>	<b>32,303,711</b>	<b>31,625,529</b>	<b>1,092,239</b>	<b>1,237,521</b>	<b>33,395,950</b>	<b>32,863,050</b>
<b>Program Expenses</b>						
Instruction:						
Regular	14,026,848	14,251,468	0	0	14,026,848	14,251,468
Special	3,162,904	3,014,559	0	0	3,162,904	3,014,559
Vocational	392,304	490,658	0	0	392,304	490,658
Student Intervention Services	183,729	216,897	0	0	183,729	216,897
Other	1,044,988	1,066,917	0	0	1,044,988	1,066,917
Support services:						
Pupils	899,485	839,519			899,485	839,519
Instructional Staff	1,508,822	1,511,115	0	0	1,508,822	1,511,115
Board of Education	26,227	39,400	0	0	26,227	39,400
Administration	2,843,926	3,841,200	0	0	2,843,926	3,841,200
Fiscal	786,392	688,045	0	0	786,392	688,045
Business	93,110	76,615	0	0	93,110	76,615
Operation and Maintenance of Plant	2,706,908	3,194,829	0	0	2,706,908	3,194,829
Pupil Transportation	2,012,911	2,166,425	0	0	2,012,911	2,166,425
Central	179,541	202,819	0	0	179,541	202,819
Operation of Non-Instructional Services	591,728	487,397	0	0	591,728	487,397
Extracurricular Activities	1,162,154	1,218,263			1,162,154	1,218,263
Interest and Fiscal Charges	1,269,722	1,294,257	0	0	1,269,722	1,294,257
Enterprise Funds	0	0	1,175,830	1,266,996	1,175,830	1,266,996
<b>Total Expenses</b>	<b>32,891,699</b>	<b>34,600,383</b>	<b>1,175,830</b>	<b>1,266,996</b>	<b>34,067,529</b>	<b>35,867,379</b>
Transfers	0	(28,892)	0	28,892	0	0
<b>Increase (Decrease) in Net Position</b>	<b>(587,988)</b>	<b>(3,003,746)</b>	<b>(83,591)</b>	<b>(583)</b>	<b>(671,579)</b>	<b>(3,004,329)</b>
<b>Net Position at Beginning of Year</b>	<b>13,837,674</b>	<b>16,841,420</b>	<b>438,176</b>	<b>438,759</b>	<b>14,275,850</b>	<b>17,280,179</b>
<b>Net Position at End of Year</b>	<b>\$ 13,249,686</b>	<b>\$ 13,837,674</b>	<b>\$ 354,585</b>	<b>\$ 438,176</b>	<b>\$ 13,604,271</b>	<b>\$ 14,275,850</b>

Net position in the governmental activities decreased \$.6 million from fiscal year 2012. Revenues increased \$.7 million, primarily in taxes. Property tax revenues increased \$.6 million over fiscal year 2012 which is

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partially attributable to the fluctuation in the taxes available as an advance at year end from the County from year to year. The School District also received nearly \$.2 million from the collection of delinquent taxes in fiscal year 2013. Program expenses decreased \$1.7 million from fiscal year 2012. This is partially due to the early retirement incentive paid to certified employees in fiscal year 2012, which amounted to nearly \$.8 million. Additional savings were recognized by not replacing retired employees or replacing them with lower paid personnel.

Net position in the business-type activities decreased \$83,591 from fiscal year 2012.

***Governmental Activities***

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3**  
**Governmental Activities**

	Total Cost of Service		Net Cost of Service	
	2013	2012	2013	2012
<b>Instruction:</b>				
Regular	\$ 14,026,848	\$ 14,251,468	\$ 13,699,071	\$ 13,920,192
Special	3,162,904	3,014,559	2,275,602	2,149,246
Vocational	392,304	490,658	155,305	253,922
Student Intervention Services	183,729	216,897	183,729	216,897
Other	1,044,988	1,066,917	1,044,988	1,066,917
<b>Support services:</b>				
Pupils	899,485	839,519	890,972	826,200
Instructional Staff	1,508,822	1,511,115	1,374,849	1,390,931
Board of Education	26,227	39,400	26,227	39,400
Administration	2,843,926	3,841,200	2,837,034	3,841,200
Fiscal	786,392	688,045	768,557	583,797
Business	93,110	76,615	93,110	76,615
Operation and Maintenance of Plant	2,706,908	3,194,829	2,587,872	3,168,929
Pupil Transportation	2,012,911	2,166,425	2,012,911	2,166,425
Central	179,541	202,819	75,486	83,837
Operation of Non-Instructional Services	591,728	487,397	67,749	49,416
Extracurricular Activities	1,162,154	1,218,263	873,862	962,498
Interest and Fiscal Charges	1,269,722	1,294,257	993,372	1,014,992
<b>Total Expenses</b>	<b>\$ 32,891,699</b>	<b>\$ 34,600,383</b>	<b>\$ 29,960,696</b>	<b>\$ 31,811,414</b>

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The dependence upon general revenues for governmental activities is apparent. Over 91 percent of governmental activities are supported through taxes and other general revenues; such revenues are 91 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

**Business-Type Activities**

Business-type activities include our adult and supplemental education programs, the food service operation and the sale of uniform school supplies. These programs had total revenues of \$1.1 million and expenses of \$1.2 million for fiscal year 2013. There were no significant fluctuations in operations as compared to the prior year.

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

*Governmental Funds*

Information about the School District's major funds starts on page 18. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$32.2 million, expenditures of \$35.7 million and net other financing sources and uses of \$3.9 million for fiscal year 2013. The net change in fund balances for the fiscal year was an increase of \$.4 million for all governmental funds with the most significant change in the general fund.

The general fund's net change in fund balance for fiscal year 2013 was a decrease of \$.4 million. The fluctuation in tax revenue available for advance from year to year and collection of delinquent taxes accounts for most of the \$.6 million increase in revenues over fiscal year 2012. Expenditures decreased \$1.1 million from fiscal year 2012. As explained earlier, the payment of the early retirement incentive in fiscal year 2012 and reduction in salaries and benefits resulted in cost savings.

The fund balance of the debt service fund decreased by \$.1 million. The timing of revenues to cover principal and interest payments contributed to this decrease.

***General Fund Budgeting Highlights***

The School 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.

During the course of fiscal year 2013, the School District amended its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budget basis revenues of \$28.5 million were estimated \$88,000 less than actual revenues and \$.4 million more than original budget basis revenues. Taxes and intergovernmental revenue were slightly more than originally estimated.

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Final appropriations of \$29.6 million were \$.5 million more than original appropriations with special instruction originally estimated lower. Final appropriations were \$.4 million over actual expenditures due to cost saving efforts of the School District.

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2013, the School District had \$35.3 million invested in capital assets. Table 4 shows fiscal year 2013 balances compared with 2012.

**Table 4**  
**Capital Assets at June 30**  
**(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 3,022,257	\$ 3,022,257	\$ 0	\$ 0	\$ 3,022,257	\$ 3,022,257
Construction in Progress	3,092,830	0	0	0	3,092,830	0
Land Improvements	568,452	672,950	0	0	568,452	672,950
Buildings and Improvements	27,086,192	27,916,184	0	0	27,086,192	27,916,184
Furniture and Equipment	463,081	478,300	93,507	105,096	556,588	583,396
Vehicles	944,883	1,134,394	0	0	944,883	1,134,394
Textbooks	77,515	80,921	0	0	77,515	80,921
Totals	\$35,255,210	\$33,305,006	\$ 93,507	\$ 105,096	\$35,348,717	\$33,410,102

The \$1.9 million increase in capital assets was attributable to current year acquisitions, primarily from construction in progress related to the House Bill 264 renovations, exceeding depreciation and disposals. See Note 9 for more information about the capital assets of the School District.

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**Debt**

At June 30, 2013, the School District had \$26.1 million in debt outstanding. See Note 14 for additional details. Table 5 summarizes bonds outstanding.

**Table 5**  
**Outstanding Debt**  
**and Related Charges, at June 30**

	Governmental Activities	
	2013	2012
General Obligation Bonds:		
2005 Refunding Bonds	\$ 18,295,000	\$ 18,295,000
2005 Capital Appreciation Bonds	587,881	954,950
2005 Capital Appreciation Bonds - Accretion	1,397,338	1,820,671
2005 Unamortized Bond Premium	1,918,271	1,950,914
2013 School Improvement Bonds	3,890,000	0
	\$ 26,088,490	\$ 23,021,535

The increase was primarily attributed to the issuance of the 2013 School Improvement Bonds.

**Current Issues**

The Lake Local School District (the "School District") continues to provide and be recognized for providing a quality education for our students in a closely monitored, cost controlled environment. The School District continues to rely on both state revenue and local property taxes for the continued support of public education. During fiscal year 2012-13, 54% of the School District's total revenue was derived from federal and state sources, while 46% was derived from local sources.

Beginning with the 2012-13 school year, the Ohio Department of Education changed the way they rate school districts and established the practice of assigning letter grades for ratings. The School District achieved an "A" rating for academic achievement, value-added gains and graduation rates. The School District received a "B" rating for performance index, missing an "A" rating by just 0.6 points. The School District's performance index was 107.3 out of a possible 120.0, placing us in the top 94% in the state, 39 out of 612 districts. The School District's composite ACT score was 22.8, placing us in the top ten percent of all districts in the state. Dual enrollment at the School District's high school is presently the highest in the county.

The School District has made significant efforts to achieve the highest level of performance while maintaining a low cost. Over the past several years, the School District has made budget cuts resulting in a savings of approximately \$2,000,000 during fiscal year 2012-13. As of fiscal year 2013, approximately thirty staff members have not been replaced through attrition. With the approval of the most recently passed state budget bill, the School District is anticipating the receipt of additional state funding over the next two fiscal years. This additional state funding is just a portion of the funding that has been lost over the years. However, with

**Lake Local School District**  
**Stark County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*(Unaudited)*

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the budget cuts that have been made, the additional funding was enough for the School District to be able to pull the originally anticipated 7.95 mill operating levy from the November 2013 ballot. The School Board and Administration will continue to closely monitor revenues and expenditures and the need for additional local support.

In February 2013, the Board of Education authorized a contract with CCG Energy Solutions, Inc. for the performance of an Energy Conservation Retrofit Project as approved by the Ohio Facilities Construction Commission under the guidelines of House Bill 264. The total project cost was estimated to be \$4,072,980. To fund the majority of the project, the Board approved the issuance and sale of bonds for the total principal amount of \$3,890,000. The scope of the project includes lighting upgrades, mechanical upgrades and building automation, electric transformer upgrades, and stadium field lighting upgrades. With the combined electrical, natural gas and operational savings, the School District is expected to save nearly \$400,000 per year, of which CCG Energy Solutions, Inc. guaranteed to the School District through an executed performance guarantee. Based on the estimated savings and total project cost, the total project payback will be just over 10 years.

In order to continue to provide a quality educational program with a limited availability of financial assistance, the School District must continue to implement systems for both budgetary and internal control purposes in order to efficiently allocate and utilize those available financial resources. All of the School District's resources have and will continue to be focused on meeting the needs of our stakeholders in this competitive marketplace, which is not only local, but world-wide.

***Contacting the School District's Financial Management***

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Nicole Nichols, Treasurer of Lake Local School District, 11936 King Church Avenue NW, Uniontown, OH 44685.

**Lake Local School District**  
**Stark County, Ohio**  
*Statement of Net Position*  
*June 30, 2013*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 7,643,328	\$ 365,411	\$ 8,008,739
Receivables:			
Accounts	3,213	11,255	14,468
Intergovernmental	445,828	2,810	448,638
Taxes	15,030,816	0	15,030,816
Deferred Charges - Issuance Costs	183,064	0	183,064
Nondepreciable Capital Assets	6,115,087	0	6,115,087
Depreciable Capital Assets (Net)	29,140,123	93,507	29,233,630
<i>Total Assets</i>	<u>58,561,459</u>	<u>472,983</u>	<u>59,034,442</u>
<b>Liabilities</b>			
Accounts Payable	89,424	4,261	93,685
Accrued Wages and Benefits	3,041,422	59,343	3,100,765
Contracts Payable	566,315	0	566,315
Intergovernmental Payable	750,614	25,961	776,575
Retainage Payable	247,426	0	247,426
Accrued Interest Payable	89,601	0	89,601
Deferred Revenue	13,686,144	0	13,686,144
Long Term Liabilities:			
Due Within One Year	1,385,673	9,697	1,395,370
Due in More Than One Year	25,455,154	19,136	25,474,290
<i>Total Liabilities</i>	<u>45,311,773</u>	<u>118,398</u>	<u>45,430,171</u>
<b>Net Position</b>			
Net Investment in Capital Assets	11,648,860	93,507	11,742,367
Restricted for:			
Capital Projects	221,039	0	221,039
Debt Service	1,084,831	0	1,084,831
Athletics	166,027	0	166,027
Other Purposes	369,776	0	369,776
Unrestricted	(240,847)	261,078	20,231
<i>Total Net Position</i>	<u>\$ 13,249,686</u>	<u>\$ 354,585</u>	<u>\$ 13,604,271</u>

See accompanying notes to the basic financial statements.

**Lake Local School District**  
**Stark County, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2013

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 14,026,848	\$ 270,270	\$ 57,507	\$ 0
Special	3,162,904	0	887,302	0
Vocational	392,304	0	236,999	0
Student Intervention Services	183,729	0	0	0
Other	1,044,988	0	0	0
Support services:				
Pupils	899,485	8,513	0	0
Instructional Staff	1,508,822	0	133,973	0
Board of Education	26,227	0	0	0
Administration	2,843,926	1,892	5,000	0
Fiscal	786,392	17,835	0	0
Business	93,110	0	0	0
Operation and Maintenance of Plant	2,706,908	80,776	38,260	0
Pupil Transportation	2,012,911	0	0	0
Central	179,541	85,055	19,000	0
Operation of Non-Instructional Services	591,728	0	523,979	0
Extracurricular Activities	1,162,154	258,178	0	30,114
Interest and Fiscal Charges	1,269,722	0	276,350	0
<i>Total Governmental Activities</i>	<u>32,891,699</u>	<u>722,519</u>	<u>2,178,370</u>	<u>30,114</u>
<b>Business-Type Activities</b>				
Food Service	1,029,729	600,864	342,598	0
Uniform School Supplies	119,125	128,955	0	0
Supplemental Education	26,976	14,535	0	0
<i>Total Business-Type Activities</i>	<u>1,175,830</u>	<u>744,354</u>	<u>342,598</u>	<u>0</u>
<b>Totals</b>	<u>\$ 34,067,529</u>	<u>\$ 1,466,873</u>	<u>\$ 2,520,968</u>	<u>\$ 30,114</u>

**General Revenues**

Property Taxes Levied for:

General Purposes

Debt Service

Grants and Entitlements not Restricted  
to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (13,699,071)	\$ 0	\$ (13,699,071)
(2,275,602)	0	(2,275,602)
(155,305)	0	(155,305)
(183,729)	0	(183,729)
(1,044,988)	0	(1,044,988)
(890,972)	0	(890,972)
(1,374,849)	0	(1,374,849)
(26,227)	0	(26,227)
(2,837,034)	0	(2,837,034)
(768,557)	0	(768,557)
(93,110)	0	(93,110)
(2,587,872)	0	(2,587,872)
(2,012,911)	0	(2,012,911)
(75,486)	0	(75,486)
(67,749)	0	(67,749)
(873,862)	0	(873,862)
(993,372)	0	(993,372)
<u>(29,960,696)</u>	<u>0</u>	<u>(29,960,696)</u>
0	(86,267)	(86,267)
0	9,830	9,830
0	(12,441)	(12,441)
<u>0</u>	<u>(88,878)</u>	<u>(88,878)</u>
<u>(29,960,696)</u>	<u>(88,878)</u>	<u>(30,049,574)</u>
12,255,911	0	12,255,911
1,696,688	0	1,696,688
15,307,856	0	15,307,856
11,919	0	11,919
100,334	5,287	105,621
29,372,708	5,287	29,377,995
(587,988)	(83,591)	(671,579)
13,837,674	438,176	14,275,850
<u>\$ 13,249,686</u>	<u>\$ 354,585</u>	<u>\$ 13,604,271</u>

See accompanying notes to the basic financial statements.

**Lake Local School District**  
**Stark County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2013*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 4,580,010	\$ 925,979	\$ 2,041,441	\$ 7,547,430
Restricted Cash and Cash Equivalents	95,898	0	0	95,898
Receivables:				
Accounts	3,213	0	0	3,213
Interfund	5,632	0	0	5,632
Intergovernmental	114,249	0	331,579	445,828
Taxes	13,217,331	1,813,485	0	15,030,816
<i>Total Assets</i>	<u>\$ 18,016,333</u>	<u>\$ 2,739,464</u>	<u>\$ 2,373,020</u>	<u>\$ 23,128,817</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 79,374	\$ 0	\$ 10,050	\$ 89,424
Accrued Wages and Benefits	2,956,933	0	84,489	3,041,422
Contracts Payable	0	0	566,315	566,315
Intergovernmental Payable	732,588	0	18,026	750,614
Retainage Payable	104,568	0	142,858	247,426
Interfund Payable	0	0	5,632	5,632
Deferred Revenue	12,751,795	1,750,279	293,223	14,795,297
<i>Total Liabilities</i>	<u>16,625,258</u>	<u>1,750,279</u>	<u>1,120,593</u>	<u>19,496,130</u>
<b>Fund Balances</b>				
Restricted	102,760	989,185	1,302,037	2,393,982
Assigned	384,228	0	0	384,228
Unassigned	904,087	0	(49,610)	854,477
<i>Total Fund Balances</i>	<u>1,391,075</u>	<u>989,185</u>	<u>1,252,427</u>	<u>3,632,687</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 18,016,333</u>	<u>\$ 2,739,464</u>	<u>\$ 2,373,020</u>	<u>\$ 23,128,817</u>

See accompanying notes to the basic financial statements.

**Lake Local School District**  
**Stark County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
*June 30, 2013*

<b>Total Governmental Fund Balances</b>		\$ 3,632,687
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		35,255,210
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes	\$ 815,930	
Intergovernmental	<u>293,223</u>	1,109,153
In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.		183,064
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(89,601)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(22,185,000)	
Capital Appreciation Bonds	(587,881)	
Bond Premium	(1,918,271)	
Accretion of Interest - Capital Appreciation Bonds	(1,397,338)	
Compensated Absences	<u>(752,337)</u>	<u>(26,840,827)</u>
<i>Net Position of Governmental Activities</i>		<u>\$ 13,249,686</u>

See accompanying notes to the basic financial statements.

**Lake Local School District**  
**Stark County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2013*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property and Other Local Taxes	\$ 12,362,756	\$ 1,711,576	\$ 0	\$ 14,074,332
Intergovernmental	15,511,355	276,350	1,459,621	17,247,326
Investment Income	11,919	0	130	12,049
Tuition and Fees	250,856	0	16,427	267,283
Extracurricular Activities	123,838	0	232,787	356,625
Rentals	17,835	0	80,776	98,611
Gifts and Donations	24,000	0	29,260	53,260
Miscellaneous	100,334	0	0	100,334
<i>Total Revenues</i>	<u>28,402,893</u>	<u>1,987,926</u>	<u>1,819,001</u>	<u>32,209,820</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	13,180,308	0	67,461	13,247,769
Special	2,400,706	0	765,103	3,165,809
Vocational	363,957	0	33,769	397,726
Student Intervention	184,537	0	0	184,537
Other	1,044,988	0	0	1,044,988
Support Services:				
Pupils	898,426	0	0	898,426
Instructional Staff	1,389,284	0	120,710	1,509,994
Board of Education	26,227	0	0	26,227
Administration	2,829,437	0	0	2,829,437
Fiscal	797,633	35,306	0	832,939
Business	92,658	0	0	92,658
Operation and Maintenance of Plant	2,807,188	0	16,212	2,823,400
Pupil Transportation	1,816,106	0	0	1,816,106
Central	156,713	0	22,089	178,802
Operation of Non-Instructional Services	44,343	0	544,120	588,463
Extracurricular Activities	683,021	0	199,780	882,801
Capital outlay	122,001	0	2,993,824	3,115,825
Debt Service:				
Principal Retirement	0	367,069	0	367,069
Interest and Fiscal Charges	0	1,697,681	0	1,697,681
<i>Total Expenditures</i>	<u>28,837,533</u>	<u>2,100,056</u>	<u>4,763,068</u>	<u>35,700,657</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(434,640)	(112,130)	(2,944,067)	(3,490,837)
<b>Other Financing Sources (Uses):</b>				
Proceeds of General Obligation Bonds	0	0	3,890,000	3,890,000
Transfers In	0	0	4,070	4,070
Transfers Out	(4,070)	0	0	(4,070)
<i>Total Financing Sources and (Uses)</i>	<u>(4,070)</u>	<u>0</u>	<u>3,894,070</u>	<u>3,890,000</u>
<i>Net Change in Fund Balance</i>	(438,710)	(112,130)	950,003	399,163
<i>Fund Balance at Beginning of Year</i>	<u>1,829,785</u>	<u>1,101,315</u>	<u>302,424</u>	<u>3,233,524</u>
<i>Fund Balance at End of Year</i>	<u>\$ 1,391,075</u>	<u>\$ 989,185</u>	<u>\$ 1,252,427</u>	<u>\$ 3,632,687</u>

See accompanying notes to the basic financial statements.

**Lake Local School District**  
**Stark County, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes*  
*in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Fiscal Year Ended June 30, 2013*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	399,163
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital Asset Additions	\$ 3,282,244	
Current Year Depreciation	<u>(1,326,712)</u>	1,955,532
 Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(5,328)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(121,733)	
Intergovernmental	<u>185,510</u>	63,777
 Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Capital Appreciation Bonds		1,150,000
 Debt proceeds issued in the governmental funds that increase long-term in the statement of net position are not reported as revenues.		
General Obligation Bonds		(3,890,000)
 Issuance costs are reported as an expenditure when paid in the governmental funds, but are deferred on the statement of net position.		
		(14,645)
 In the statement of activities, interest is accrued on outstanding bonds, and bond premium and bond issuance costs and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	(13,372)	
Amortization of Premium on Bonds	<u>32,643</u>	19,271
 Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		93,840
 Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds.		
		<u>(359,598)</u>
<i>Change in Net Position of Governmental Activities</i>	<u>\$</u>	<u>(587,988)</u>

See accompanying notes to the basic financial statements.

**Lake Local School District**  
**Stark County, Ohio**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -*  
*Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Property and Other Local Taxes	\$ 12,565,761	\$ 12,748,723	\$ 12,749,431	\$ 708
Intergovernmental	15,319,100	15,444,794	15,519,600	74,806
Investment Income	3,000	11,738	11,919	181
Tuition and Fees	200,000	250,447	248,898	(1,549)
Extracurricular Activities	0	11,139	18,017	6,878
Rentals	0	363	363	0
Miscellaneous	4,000	20,988	27,580	6,592
<i>Total Revenues</i>	<u>28,091,861</u>	<u>28,488,192</u>	<u>28,575,808</u>	<u>87,616</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	13,306,252	13,346,138	13,279,405	66,733
Special	1,992,252	2,510,206	2,468,827	41,379
Vocational	422,121	390,121	385,282	4,839
Student Intervention Services	224,904	370,608	180,608	190,000
Other	855,000	855,000	1,055,933	(200,933)
Support Services:				
Pupils	846,711	895,675	890,475	5,200
Instructional Staff	1,475,530	1,425,959	1,419,205	6,754
Board of Education	26,965	26,781	26,581	200
Administration	2,923,280	2,975,063	2,954,441	20,622
Fiscal	594,411	795,195	790,044	5,151
Business	75,060	93,504	90,880	2,624
Operation and Maintenance of Plant	3,246,070	3,122,730	2,925,117	197,613
Pupil Transportation	2,197,581	1,943,422	1,931,126	12,296
Central	58,386	69,651	64,716	4,935
Operation of Non-Instructional Services	44,259	46,679	45,122	1,557
Extracurricular Activities	713,043	708,527	695,678	12,849
Capital Outlay	31,000	21,000	17,433	3,567
<i>Total Expenditures</i>	<u>29,032,825</u>	<u>29,596,259</u>	<u>29,220,873</u>	<u>375,386</u>
Excess of Revenues Over (Under) Expenditures	(940,964)	(1,108,067)	(645,065)	463,002
<b>Other Financing Sources (Uses):</b>				
Advances In	45,000	55,346	55,346	0
Advances Out	(45,000)	(5,000)	0	5,000
Transfers Out	0	(8,638)	(4,070)	4,568
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>41,708</u>	<u>51,276</u>	<u>9,568</u>
<i>Net Change in Fund Balance</i>	(940,964)	(1,066,359)	(593,789)	472,570
<i>Fund Balance at Beginning of Year</i>	4,172,890	4,172,890	4,172,890	0
Prior Year Encumbrances Appropriated	631,275	631,275	631,275	0
<i>Fund Balance at End of Year</i>	<u>\$ 3,863,201</u>	<u>\$ 3,737,806</u>	<u>\$ 4,210,376</u>	<u>\$ 472,570</u>

See accompanying notes to the basic financial statements.

**Lake Local School District**  
**Stark County, Ohio**  
*Statement of Net Position*  
*Proprietary Funds*  
June 30, 2013

	NonMajor Enterprise Funds
<b>Assets</b>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$ 365,411
Accounts Receivable	11,255
Intergovernmental Receivable	2,810
<i>Total Current Assets</i>	379,476
<i>Non Current Assets:</i>	
Depreciable Capital Assets (Net)	93,507
<i>Total Assets</i>	472,983
<b>Liabilities</b>	
<i>Current Liabilities:</i>	
Accounts Payable	4,261
Accrued Wages and Benefits	59,343
Compensated Absences Payable	9,697
Intergovernmental Payable	25,961
<i>Total Current Liabilities</i>	99,262
<i>Long Term Liabilities:</i>	
Compensated Absences	19,136
<i>Total Liabilities</i>	118,398
<b>Net Position</b>	
Net Investment in Capital Assets	93,507
Unrestricted	261,078
<i>Total Net Position</i>	\$ 354,585

See accompanying notes to the basic financial statements.

**Lake Local School District**  
**Stark County, Ohio**  
*Statement of Revenues, Expenses and Changes in Net Position*  
*Proprietary Funds*  
*For the Fiscal Year Ended June 30, 2013*

	NonMajor Enterprise Funds
<b>Operating Revenues:</b>	
Tuition	\$ 14,535
Sales	729,819
Other Operating Revenues	5,287
<i>Total Operating Revenues</i>	749,641
<b>Operating Expenses:</b>	
Salaries	392,888
Fringe Benefits	122,362
Purchased Services	52,747
Materials and Supplies	593,689
Depreciation	11,589
Other	2,555
<i>Total Operating Expenses</i>	1,175,830
<i>Operating Income (Loss)</i>	(426,189)
<b>Non-Operating Revenues (Expenses):</b>	
Federal Donated Commodities	69,267
Grants	272,894
Interest	437
<i>Total Non-Operating Revenues (Expenses)</i>	342,598
<i>Change in Net Position</i>	(83,591)
<i>Net Position (Deficit) Beginning of Year</i>	438,176
<i>Net Position (Deficit) End of Year</i>	\$ 354,585

See accompanying notes to the basic financial statements.

**Lake Local School District**  
**Stark County, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Fiscal Year Ended June 30, 2013

	NonMajor Enterprise Funds
<b>Cash Flows From Operating Activities:</b>	
Cash Received from Customers	\$ 775,789
Other Cash Receipts	5,287
Cash Paid for Goods and Services	(583,195)
Cash Paid to Employees	(505,300)
<i>Net Cash Provided By (Used For) Operating Activities</i>	(307,419)
<b>Cash Flows From Non-Capital Financing Activities:</b>	
Advances to Other Funds	(13,481)
Grants Received	272,894
<i>Net Cash Provided By (Used For) Non-Capital Financing Activities</i>	259,413
<b>Cash Flows From Investing Activities:</b>	
Interest on Investments	437
<i>Net Cash Provided By (Used For) Investing Activities</i>	437
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(47,569)
<i>Cash and Cash Equivalents at Beginning of Year</i>	412,980
<i>Cash and Cash Equivalents at End of Year</i>	\$ 365,411
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</b>	
Operating Income (Loss)	\$ (426,189)
Adjustments:	
Depreciation	11,589
Federal Donated Commodities	69,267
(Increase) Decrease Assets	
Accounts Receivable	(3,487)
Intergovernmental Receivable	34,922
Increase (Decrease) in Liabilities	
Accounts Payable	2,106
Accrued Wages and Benefits	(2,111)
Compensated Absences Payable	12,061
Intergovernmental Payable	(5,577)
<i>Total Adjustments</i>	118,770
<i>Net Cash Provided By (Used For) Operating Activities</i>	\$ (307,419)
Noncash items:	
The Food Service Fund received \$69,267 in Federally Donated Commodities.	

See accompanying notes to the basic financial statements.

**Lake Local School District**  
**Stark County, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Funds*  
*June 30, 2013*

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 453	\$ 129,935
<b>Liabilities</b>		
Undistributed Monies	\$ 0	\$ 1,544
Due to Students	0	128,391
<i>Total Liabilities</i>	0	\$ 129,935
<b>Net Position</b>		
Held in Trust for Scholarships	453	
<i>Total Net Position</i>	\$ 453	

See accompanying notes to the basic financial statements.

**Lake Local School District**  
**Stark County, Ohio**  
*Statement of Changes in Fiduciary Net Position*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2013*

	Private Purpose Trust	
	Scholarship	
<b>Additions</b>		
Interest	\$	0
<b>Deductions</b>		0
<i>Change in Net Position</i>		0
<i>Net Position Beginning of Year</i>		453
<i>Net Position End of Year</i>	\$	453

See accompanying notes to the basic financial statements.

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**Lake Local School District**  
**Stark County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**Note 1 - Description of the School District**

The Lake Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by the State and federal agencies. The Board of Education controls the School District's five school buildings, community complex, athletic complex, transportation/maintenance facility, and administrative office.

***Reporting Entity***

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

Component units are legally separate organizations for which the School District is financially accountable. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt or the levying of their taxes. The School District has no component units.

The School District participates in a jointly governed organization and two public entity risk pools. These organizations include the Stark/Portage Area Computer Consortium (SPARCC), the Stark County Schools Council of Government and the Stark County Schools Council of Governments Health Benefit Plan. These organizations are presented in Notes 10 and 16 to the basic financial statements.

The following activity is not part of the reporting entity and is excluded from the accompanying financial statements:

***Non-Public School*** Within the School District's boundaries, Lake Center Christian School is operated by a religious organization. Current state legislation provides funding to this school. The monies are received and disbursed on behalf of the non-public school by the Treasurer of the School District. The accounting of these state monies is reflected as part of the School District's special revenue funds.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The most significant of the School District's accounting policies are described below.

**Lake Local School District**  
**Stark County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**A. Basis of Presentation**

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

**Government-wide Financial Statements** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for the three business-type activities of the School District. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

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

**B. Fund Accounting**

The School 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.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

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

**Lake Local School District**  
**Stark County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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***Debt Service Fund*** The debt service fund is used to account for the accumulation of property tax revenues for, and the payment of, principal and interest obligations relative to the School District's general obligation bonds.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

***Proprietary Funds*** Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following is the School District's proprietary fund type:

***Enterprise Funds*** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District reports enterprise operations for food service, uniform school supplies and adult and supplemental education programs.

***Fiduciary Funds*** Fiduciary fund reporting focuses on net position and changes in net position. 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 assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's fiduciary funds are private purpose trust and agency funds. The School District's agency fund accounts for student activities and the private purpose trusts disburse scholarships to students.

***C. Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District excluding fiduciary funds are included on the statement of net position.

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary fund activities.

**Lake Local School District**  
**Stark County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees, and rentals.

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as “federal donated commodities revenue”.

**Lake Local School District**  
**Stark County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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

***E. Cash and Cash Equivalents***

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

During fiscal year 2013, investments were limited to STAR Ohio (the State Treasurer's Investment Pool).

The School District also invests in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance, with no term commitment on deposits.

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 Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2013. Certificates of deposit and repurchase agreements are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2013 amounted to \$11,919, which includes \$4,008 assigned from other School District funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

***F. Inventory***

On government-wide financial statements, inventories of business-type activities are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

**Lake Local School District**  
**Stark County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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***G. Restricted Assets***

Assets are reported as restricted 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. Restricted assets in the general fund include amounts set aside as a restriction for budget stabilization, which is now optional as determined by the School District. See Note 18 for additional information regarding set asides.

***H. Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress (CIP) are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land and CIP	N/A	N/A
Land Improvements	40 - 50 Years	N/A
Buildings and Improvements	10 - 40 Years	N/A
Furniture and Equipment	5 - 20 Years	5 - 20 Years
Vehicles	10 Years	N/A
Textbooks	5 Years	N/A

***I. Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as "internal balances".

**Lake Local School District**  
**Stark County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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***J. Compensated Absences***

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future.

The entire compensated absence liability is reported on the government-wide financial statements.

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "matured compensated absences" payable in the fund from which the employees who have accumulated unpaid leave is paid. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

***K. Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due.

***L. Deferred Charges and Bond Premiums***

In governmental fund types, bond premiums and issuance costs are recognized in the current period. On the statement of net position, bond premiums and issuance costs are deferred and amortized over the term of the bonds. Bond premiums are amortized using the bonds outstanding method and issuance costs are amortized using the straight-line method, which is not significantly different than the bonds outstanding method, or the effective interest method. Bond premiums are presented as an addition to the face amount of bonds payable, whereas issuance costs are recorded as deferred charges.

**Lake Local School District**  
**Stark County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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***M. Net Position***

Net position represent the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes are primarily for instruction of students.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

***N. Fund Balance***

In accordance with Governmental Accounting Standards Board Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”, the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

*Committed* – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School 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 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 balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has by resolution authorized the treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

**Lake Local School District**  
**Stark County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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

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

***O. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are tuition for supplemental education, sales for food service including vending and catering, and uniform school supplies. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

***P. Contributions of Capital***

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. The proprietary funds received no capital contributions during the current fiscal year. In the government-wide financial statements, capital contributions are recorded as capital grants and contributions. In fiscal year 2013, the governmental activities receivable capital contributions from an outside source in the amount of \$30,114.

***Q. Interfund Activity***

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds.

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

***R. 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 2013.

**Lake Local School District**  
**Stark County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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***S. Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

***T. Budgetary Data***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. Throughout the fiscal year, the primary level of budgetary control was at the function level within the general fund. For all other funds, the legal level of control was at the fund level.

On October 25, 2005, the Stark County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15 and the filing by January 20. The Budget Commission now requires an alternate tax budget be submitted by January 20 which no longer requires specific Board approval.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2013.

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

***U. Changes in Accounting Principles***

For the fiscal year ended June 30, 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34," GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements," and GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position."

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the School District.

**Lake Local School District**  
**Stark County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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GASB Statement No. 61 improves guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the School District.

GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the School District.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It also amends the net asset reporting requirements in GASB Statement No. 34 by incorporating deferred outflows and inflows into the definitions and renaming the residual measure as net position, rather than net assets.

**Note 3 - Fund Deficits**

Fund balances at June 30, 2013 included the following individual fund deficits:

	<u>Deficit</u> <u>Fund Balance</u>
Nonmajor Funds:	
Auxiliary	\$ 673
Race to the Top	24
Title VI-B	2,069
Title I Fund	37,346
Title II-A Fund	9,498

The deficits in these nonmajor funds are the result of adjustments for accrued liabilities and the timing of receipts. The general fund is liable for any deficit in these funds and will provide transfers when cash is required, not when accruals occur.

**Note 4 – Fund Balance**

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

**Lake Local School District**  
**Stark County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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

	General	Debt Service	Other Governmental Funds	Total
Restricted for:				
Debt Service	\$ 0	\$ 989,185	\$ 0	\$ 989,185
Capital Outlay	0	0	1,122,777	1,122,777
Extracurricular	0	0	166,027	166,027
BWC Refund by ORC *	95,898	0	0	95,898
Other Purposes	6,862	0	13,233	20,095
Total Restricted	102,760	989,185	1,302,037	2,393,982
Assigned for:				
Public School Support	66,268	0	0	66,268
Other Purposes	1,632	0	0	1,632
Encumbrances:				
Instruction	116,702	0	0	116,702
Support Services	199,626	0	0	199,626
Total Assigned	384,228	0	0	384,228
Unassigned	904,087	0	(49,610)	854,477
Total Fund Balance (Deficit)	<u>\$ 1,391,075</u>	<u>\$ 989,185</u>	<u>\$ 1,252,427</u>	<u>\$ 3,632,687</u>

\* See Note 18

**Note 5 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations, and changes in fund balance/net position on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual, is presented for the general fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues and other sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures and other uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

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3. Encumbrances are treated as expenditures (budget) rather than as an assignment of fund balance (GAAP).
4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets (budget).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

**Net Change in Fund Balance**

	General
GAAP Basis	\$ (438,710)
Net Adjustment for Revenue Accruals	320,753
Advances In	55,346
Net Adjustment for Expenditure Accruals	(183,147)
Funds Budgeted Elsewhere **	35,174
Adjustment for Encumbrances	(383,205)
Budget Basis	\$ (593,789)

\*\* As part of Governmental Accounting Standards Board No. 54, *“Fund Balance Reporting and Governmental Fund Type Definitions”*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes certain special cost centers in the special trust fund and the public school support fund.

**Note 6 - Deposits and Investments**

State statutes classify monies held by the School 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 School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal 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;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio and STAR Plus);
7. 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,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District's deposits may not be returned to it. Protection of School District cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all uninsured public deposits. The face value of the pooled collateral must equal at least 105 percent of uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. These securities, held by the counterparty and not in the School District's name, must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

**Cash on Hand:** At year end, the School District had \$1,000 in undeposited cash on hand which is included on the financial statements of the School District as part of equity in pooled cash and cash equivalents.

**Deposits:** At fiscal year-end, the carrying amount of the School District's deposits was \$6,230,323. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, \$30,454 of the School District's bank balance of \$6,278,578 was exposed to custodial risk as discussed above, while \$6,248,124 was covered by the Federal Deposit Insurance Corporation (FDIC), which includes \$5,998,124 held in a STAR Plus account.

**Investments:** Investments are reported at fair value. As of June 30, 2013, the School District had the following investment:

	Fair Value	Investment Maturities (in months) 0 - 6
STAR Ohio	\$ 1,907,804	\$ 1,907,804

**Interest Rate Risk:** The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Unless matched to a specific obligation or debt of the School District, the School District will not directly invest in securities maturing more than three years from the date of settlement if such securities bear interest at a fixed rate, and it will not directly invest in such securities maturing more than two years from the date of settlement if they bear interest at a variable rate.

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STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in the physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least on nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2013 is 58 days and carries a rating of AAAM by Standard and Poor's.

**Credit Risk:** The School District's investment at June 30, 2013 in STAR Ohio was rated AAAM by Standard & Poor's.

**Concentration of Credit Risk:** The School District diversifies its investments by security, type, and institution. With the exception of direct obligations of the U.S. Treasury and STAR Ohio, no more than 25% of the School District's total investment portfolio will be invested in a single security type or with a single financial institution. The School District's only investment at June 30, 2013 was in STAR Ohio.

#### **Note 7 - Property Taxes**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School 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 and public utility property located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. 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 revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected in 2013 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The School District receives property taxes from Stark and Portage Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2013, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2013 was \$465,536 in the general fund and \$63,206 in the bond retirement debt service fund. The amount available as an advance at June 30, 2012, was \$852,211 in the general fund and \$121,981 in the bond retirement debt service fund.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
	Real Estate	\$ 411,206,500	98.76%	\$ 383,899,630
Public Utility Personal Property	5,155,120	1.24%	5,582,000	1.43%
<b>Total</b>	<b>\$ 416,361,620</b>	<b>100.00%</b>	<b>\$ 389,481,630</b>	<b>100.00%</b>
Full Tax Rate per \$1,000 of assessed valuation	\$ 71.50		\$ 71.70	

**Note 8 - Receivables**

Receivables at June 30, 2013, consisted of taxes, accounts (student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. The intergovernmental receivables consist of the following:

	Governmental Funds			Food Service Enterprise Fund
	General Fund	Other Governmental Funds	Total	
Operating Grants	\$ 0	\$ 331,092	\$ 331,092	\$ 0
SERS Refund Receivable	41,495	487	41,982	2,810
Workers' Compensation Rebate	65,356	0	65,356	0
Other	7,398	0	7,398	0
<b>Total</b>	<b>\$ 114,249</b>	<b>\$ 331,579</b>	<b>\$ 445,828</b>	<b>\$ 2,810</b>

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**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance 6/30/2012	Additions	Reductions	Balance 6/30/2013
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 3,022,257	\$ 0	\$ 0	\$ 3,022,257
Construction in Progress	0	3,092,830	0	3,092,830
Total Capital Assets not being depreciated	3,022,257	3,092,830	0	6,115,087
<i>Capital Assets, being depreciated:</i>				
Land Improvements	845,201	6,145	0	851,346
Buildings and Improvements	39,588,150	97,019	0	39,685,169
Furniture and Equipment	1,465,944	61,394	0	1,527,338
Vehicles	2,974,713	24,856	(287,015)	2,712,554
Textbooks	770,278	0	0	770,278
Total Capital Assets, being depreciated	45,644,286	189,414	(287,015)	45,546,685
Less Accumulated Depreciation:				
Land Improvements	(172,251)	(110,643)	0	(282,894)
Buildings and Improvements	(11,671,966)	(927,011)	0	(12,598,977)
Furniture and Equipment	(987,644)	(76,613)	0	(1,064,257)
Vehicles	(1,840,319)	(209,039)	281,687	(1,767,671)
Textbooks	(689,357)	(3,406)	0	(692,763)
Total Accumulated Depreciation	(15,361,537)	(1,326,712)	281,687	(16,406,562)
Total Capital Assets being depreciated, net	30,282,749	(1,137,298)	(5,328)	29,140,123
Governmental Activities Capital Assets, Net	<u>\$ 33,305,006</u>	<u>\$ 1,955,532</u>	<u>\$ (5,328)</u>	<u>\$ 35,255,210</u>
<b>Business-Type Activities</b>				
<i>Capital Assets being depreciated</i>				
Furniture and Equipment	\$ 205,139	\$ 0	\$ 0	\$ 205,139
Less Accumulated Depreciation	(100,043)	(11,589)	0	(111,632)
Business-Type Activities Capital Assets, Net	<u>\$ 105,096</u>	<u>\$ (11,589)</u>	<u>\$ 0</u>	<u>\$ 93,507</u>

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Depreciation expense was charged to governmental and business-type functions as follows:

<i>Governmental Activities:</i>	
Instruction:	
Regular	\$ 805,829
Special	1,331
Support Services:	
Pupil	4,368
Instructional Staff	3,406
Fiscal	1,061
Operation and Maintenance of Plant	28,910
Pupil Transportation	198,015
Central	739
Operation of Non-Instructional Services	3,344
Extracurricular Activities	<u>279,709</u>
Total Governmental Activities	<u>\$ 1,326,712</u>
 <i>Business-Type Activities:</i>	
Food Service	<u>\$ 11,589</u>

**Note 10 - Risk Management**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School District has a comprehensive property, fleet and liability package through the Ohio Casualty Insurance Company.

Settled claims have not exceeded this commercial coverage in any of the past three years. There was no significant reduction in coverage from the prior year.

The Superintendent, Board members and employees are covered under a blanket forgery and theft bond under the Ohio Casualty policy. In addition, the Board President and Vice President, Superintendent, Directors of Instruction, Operations and Food Service, and Assistant Treasurer are covered under separate position bonds through Travelers Casualty and Surety Company of America.

The Treasurer is covered under separate bond through Ohio Casualty Insurance Company.

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***B. Workers' Compensation***

The School District participates in the Stark County Schools Council of Government (COG) to obtain workers' compensation coverage. This program is administered by CompManagement, Inc. The experience of each of the participating school districts is calculated as one experience rate and applied to all participants in the program.

Each participant pays its workers' compensation premium to the State based on the rate for the Group Rating Pool (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 the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." 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.

***C. Health Insurance***

The School District is a member of the Stark County Schools Council of Governments Health Benefit Plan (the Council), through which a cooperative Health Benefit Program was created for the benefit of its members. The Health Benefit Program (the "Program") is an employee health benefit plan which covers the participating members' employees. The Council acts as a fiscal agent for the cash funds paid into the program by the participating school districts. These funds are pooled together for the purpose of paying health benefit claims for employees and their covered dependents, administrative expenses of the program, and premiums for stop-loss insurance coverage. The School District accounts for the premiums paid as expenditures in the general or applicable fund.

**Note 11 - Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Twelve month classified employees earn ten to twenty-five days of vacation per year, depending upon length of service and hours worked. Teachers do not earn vacation time. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 340 days. Upon retirement, employees receive payment for one-fourth of the total accumulated sick leave, up to a maximum accumulation of 57 days for those employees with ten or more years of service, and 72 days for those employees with twenty or more years of service to the Board of Education. Additionally, at retirement, \$10 is paid for each day of sick leave accumulated from 200 to 300 days, and \$20 for each day from 301 to 340 days.

School District employees are eligible to receive a retirement incentive based on first time eligibility to retire under current STRS or SERS guidelines. Certified employees retiring under STRS will receive a one-time bonus in the amount of \$20,000; classified employees retiring under SERS will receive a one-time bonus in the amount of \$5,000. Eligibility for the retirement incentive is based upon the submission of an irrevocable notice of intent to retire no later than April 1st prior to retirement with payment of the bonus in the January following retirement.

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**Note 12 - Defined Benefit Pension Plans**

***A. School Employees Retirement System***

Plan Description - The School District contributes to the School Employees Retirement System of Ohio (“SERS”), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website at [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 School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and .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 statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$613,307, \$673,869 and \$555,694, respectively; 70 percent has been contributed for fiscal year 2013 and 100 percent for the fiscal years 2012 and 2011. \$185,755 represents the unpaid contribution for fiscal year 2013, and is recorded as a liability.

***B. State Teachers Retirement System***

Plan Description - The School 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 publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

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

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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 of 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

*Funding Policy* - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The School 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 employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$1,769,888, \$1,814,426 and \$1,938,829, respectively; 81 percent has been contributed for fiscal year 2013 and 100 percent for the fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$66,697 made by the School District and \$47,641 made by the plan members. \$334,611 represents the unpaid contribution for fiscal year 2012, and is recorded as a liability

### ***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2013, two members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

## **Note 13 - Postemployment Benefits**

### ***A. School Employees Retirement System***

*Plan Description* – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System 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 plan 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 Ohio Revised Code Section 3309.69. 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 monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. 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

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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 SERS' website at [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(e). For 2013, .16 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 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012, and 2011 were \$72,366, \$94,808, and \$67,286, respectively; 70 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$34,645, \$39,795, and \$35,760, respectively; 70 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

***B. State Teachers Retirement System***

*Plan Description* - The School 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 financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free (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 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were

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\$142,286, \$143,305, and \$151,920, respectively; 81 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**Note 14 - Long - Term Obligations**

The changes in the School District's long-term obligations during the year consist of the following:

	Outstanding 6/30/2012	Additions	Reductions	Outstanding 6/30/2013	Amounts Due in One Year
<b>Governmental Activities:</b>					
2005 Refunding of Bonds					
Serial Bonds \$21,000,000 at 3.00% - 5.00%	\$ 18,295,000	\$ 0	\$ 0	\$ 18,295,000	\$ 0
Capital Appreciation Bonds at 4.17% - 4.45%	954,950	0	367,069	587,881	315,940
Accretion of Interest	1,820,671	359,598	782,931	1,397,338	750,971
Unamortized Bond Premium	1,950,914	0	32,643	1,918,271	0
2013 School Improvement Bonds	0	3,890,000	0	3,890,000	0
Total General Obligation Bonds	23,021,535	4,249,598	1,182,643	26,088,490	1,066,911
Compensated Absences	846,177	475,685	569,525	752,337	318,762
Total Governmental Activities Long-Term Liabilities	<u>\$ 23,867,712</u>	<u>\$ 4,725,283</u>	<u>\$ 1,752,168</u>	<u>\$ 26,840,827</u>	<u>\$ 1,385,673</u>
<b>Business-Type Activities</b>					
Compensated Absences	<u>\$ 16,772</u>	<u>\$ 19,627</u>	<u>\$ 7,566</u>	<u>\$ 28,833</u>	<u>\$ 9,697</u>

*2005 School Improvement Refunding Bonds*

On April 20, 2005, the School District issued \$21,955,000 in general obligation bonds. The proceeds of the bonds were used to partially refund \$21,955,000 of the School District's outstanding Capital Improvement Bond Series 2000. The bonds were issued for a 20 year period with final maturity at December 1, 2026. At the date of the refunding, \$23,914,677 (including premium and after underwriting fees) was deposited in an irrevocable trust to provide for all future payments on the refunded bonds.

These refunding bonds were issued with a premium of \$2,267,276, which was reported as an increase to bonds payable. The amounts are being amortized to interest expenses over the life of the bonds using the bonds outstanding method. Amortization of \$32,643 was recorded for June 30, 2013. The issuance costs were reported as an expenditure. These costs will be deferred and amortized over the life of the bonds within the government-wide financial statements. The issuance resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of \$1,489,124. The issuance resulted in an economic gain of \$991,927.

**Lake Local School District**  
**Stark County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

The bond issue consists of serial and capital appreciation bonds. These bonds are not subject to early redemption.

The outstanding capital appreciation bonds mature December 1, 2013 and 2014. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$2,300,000. For fiscal year 2013, \$359,598 was accreted for a liability of \$1,985,219.

*2013 School Facilities Improvement Bonds*

On March 1, 2013, the School District issued \$3,890,000 in general obligation bonds for House Bill 264 improvements. The bonds mature in December 2028.

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the general fund and the food service enterprise fund.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2013 are as follows:

Fiscal Year Ending June 30,	Serial Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2014	\$ 0	\$ 1,048,468	\$ 315,940	\$ 834,060	\$ 315,940	\$ 1,882,528
2015	210,000	1,018,838	271,941	878,059	481,941	1,896,897
2016	1,360,000	984,368	0	0	1,360,000	984,368
2017	1,435,000	919,444	0	0	1,435,000	919,444
2018	1,505,000	851,119	0	0	1,505,000	851,119
2019 - 2023	8,605,000	3,112,806	0	0	8,605,000	3,112,806
2024 - 2028	8,760,000	897,963	0	0	8,760,000	897,963
2029	310,000	4,263	0	0	310,000	4,263
<b>Total</b>	<b>\$22,185,000</b>	<b>\$ 8,837,269</b>	<b>\$ 587,881</b>	<b>\$ 1,712,119</b>	<b>\$ 22,772,881</b>	<b>\$ 10,549,388</b>

**Lake Local School District**  
**Stark County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**Note 15 - Interfund Balances**

***A. Transfers and Advances***

Transfers made during fiscal year 2013 were as follows:

Fund	Transfer In	Transfer Out
General Fund	\$ 0	\$ 4,070
Nonmajor Governmental Funds	4,070	0
Total	\$ 4,070	\$ 4,070

These transfers were made to move unrestricted balances to support programs and projects accounted for in other funds.

***B. Interfund Receivables/Payables***

Interfund receivables/payables at June 30, 2013 consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$ 5,632	\$ 0
Nonmajor Governmental Funds	0	5,632
	\$ 5,632	\$ 5,632

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2013, all interfund payables outstanding are anticipated to be repaid in fiscal year 2014.

**Note 16- Jointly Governed Organizations**

The Stark/Portage Area Computer Consortium (SPARCC) is a jointly governed organization comprised of 31 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports SPARCC based upon a per pupil charge dependent upon the software package utilized. The SPARCC assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. SPARCC is governed by a board of directors chosen from the general membership of the SPARCC assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county in which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Stark County

**Lake Local School District**  
**Stark County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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Education Services Center, which serves as fiscal agent, located at 2100 38th Street, NW, Canton, Ohio 44709. The School District paid \$23,205 to SPARCC for basic services in fiscal year 2013.

**Note 17 – Contingencies and Significant Commitments**

**A. Grants**

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

**B. Litigation**

The School District is not party to any claims or lawsuits that would, in the School District’s opinion, have a material effect of the basic financial statements.

**C. Contractual Commitment**

As of June 30, 2013, the School District had a contractual commitment as follows:

	Contractual Commitment	Expended	Balance 6/30/2013
HB 264 Improvements	\$ 4,072,980	\$3,092,830	\$ 980,150

**D. Encumbrance Commitments**

The School 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 balance. At year end, the School District’s commitments for encumbrances in the governmental funds were as follows:

Fund	Encumbrances
General Fund	\$ 318,611
Nonmajor Governmental Funds	1,091,298
	\$ 1,409,909

**Lake Local School District**  
**Stark County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**Note 18 - Set-Asides**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end, or offset by similarly restricted resources received during the year, must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year end set-aside amounts for the BWC and capital improvement reserves. Disclosure of this information is required by State statute.

	BWC	Capital Improvement
Set Aside Restricted Balance June 30, 2012	\$ 95,898	\$ 0
Current Year Set-Aside Requirement	0	594,711
Current Year Qualifying Expenditures	0	(688,757)
Total	\$ 95,898	\$ (94,046)
 Balance Carried Forward to Fiscal Year 2014	 \$ 95,898	 \$ 0
 Set Aside Balance June 30, 2013	 \$ 95,898	 \$ 0

Although the School District had qualifying disbursements during the fiscal year that reduced the capital improvement set aside amount to below zero, this amount may not be used to reduce the set aside requirement for future years. The negative balance is, therefore, not presented as being carried forward to future years.

Monies representing BWC refunds that were received prior to April 20, 2001, have been shown as a restricted cash/restricted fund balance in the general fund. The non-BWC portion of the budget stabilization has been returned to the general fund.

LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Revenues	Expenses
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	N/A	10.555	\$ 69,267	\$ 69,267
Cash Assistance:				
National School Lunch Program	049866-3L60-2013	10.555	301,717	301,717
<b>Total U.S. Department of Agriculture - Child Nutrition Cluster</b>			<b>370,984</b>	<b>370,984</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I, Part A Cluster:				
Title I, Grants to Local Educational Agencies	049866-3M00-2012	84.010	54,509	55,954
Title I, Grants to Local Educational Agencies	049866-3M00-2013	84.010	313,147	307,373
Total Title I, Part A Cluster			367,656	363,327
Special Education Cluster:				
Special Education-Grants to States, IDEA-B	049866-3M20-2012	84.027	-	4,009
Special Education-Grants to States, IDEA-B	049866-3M20-2013	84.027	478,753	496,054
Total Special Education Cluster			478,753	500,063
Educational Technology State Grants, Title II-D				
	049866-3S20-2012	84.318	2,786	2,786
Improving Teacher Quality State Grants, Title II-A				
Improving Teacher Quality State Grants, Title II-A	049866-3Y60-2012	84.367	7,062	10,255
Improving Teacher Quality State Grants, Title II-A	049866-3Y60-2013	84.367	66,889	66,890
Total Improving Teacher Quality State Grants			73,951	77,145
ARRA - Race to the Top				
ARRA - Race to the Top	049866-3FD0-2012	84.395	18,569	765
ARRA - Race to the Top	049866-3FD0-2013	84.395	42,627	42,364
Total ARRA - Race to the Top			61,196	43,129
ARRA - Ohio Resident Educator Program				
	049866-3FD0-2013	84.395	2,100	2,100
<i>Total Passed Through Ohio Department of Education</i>			<i>986,442</i>	<i>988,550</i>
<i>Passed Through Plain Local School District:</i>				
Career and Technical Education-Basic Grants to States	n/a	84.048	33,500	33,532
<b>Total U.S. Department of Education</b>			<b>1,019,942</b>	<b>1,022,082</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 1,390,926</b>	<b>\$ 1,393,066</b>

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

**LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Lake Local School District's (the District's) Federal award programs' receipts and expenditures. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends Federal monies first.

**NOTE C - FOOD DONATION PROGRAM**

Program regulations do not require the District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The District reports commodities consumed on the Schedule at the entitlement value.



# Dave Yost • Auditor of State

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

Lake Local School District  
Stark County  
11936 King Church Avenue, NW  
Uniontown, Ohio 44685

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 8, 2013.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

November 8, 2013



# Dave Yost • Auditor of State

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

Lake Local School District  
Stark County  
11936 King Church Avenue, NW  
Uniontown, Ohio 44685

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Lake Local School District's, (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Lake Local School District's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Lake Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

**Report on Internal Control Over Compliance**

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

November 8, 2013

**LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I, Grants to Local Educational Agencies (CFDA #84.010)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedure

Lake Local School District  
Stark County  
11936 King Church Avenue, NW  
Uniontown, Ohio 44685

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on June 18, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

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

**Dave Yost**  
Auditor of State

November 8, 2013

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# Dave Yost • Auditor of State

LAKE LOCAL SCHOOL DISTRICT

STARK COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
DECEMBER 10, 2013