



**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2005**



**Auditor of State  
Betty Montgomery**



**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Lake Local School District  
Wood County  
28025 Main Street, P.O. Box 151  
Millbury, Ohio 43447-0151

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Local School District, Wood County, Ohio (the School District), as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Local School District, Wood County, Ohio, as of June 30, 2005, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2006, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that

report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 14, 2006

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

The discussion and analysis of Lake Local School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole.

**Financial Highlights**

Key financial highlights for fiscal year 2005 are as follows:

- Net assets of governmental activities increased by \$527,193, which represents a 14% increase from fiscal year 2004.
- General revenues accounted for \$12,357,331 in revenue or 85.6% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$2,084,772 or 14.4% of total revenues of \$14,442,103.
- Total assets of governmental activities decreased by \$231,403 as taxes receivable decreased by \$232,379 while cash and other receivables increased by \$29,578.
- The School District had \$13,914,910 in expenses related to governmental activities; only \$2,084,772 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$12,357,331 were also used to provide for these programs.
- All governmental funds had total revenues and other financing sources of \$14,755,117 and expenditures and other financing uses of \$15,042,604. The net change in fund balance decreased \$287,487 or 11.4% for the year.

**Using This Annual Report**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Lake Local School District's financial position.

The statement of net assets and the statement of activities provide information about the activities of the School District as a whole, presenting both an aggregate and a longer-term view of the School District.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short term and what remains for future spending. Fund financial statements report the School District's most significant funds individually and the School District's non-major funds in a single column. The School District's major funds are the General Fund and the Bond Retirement Debt Service Fund.

**Reporting the School District as a Whole**

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2005. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all the current year's revenues and expenses regardless of when cash is received or paid.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year.

Over time, these increases and/or decreases are an indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors can include changes in the School District's property tax base and the condition of the School District's capital assets. These factors must be considered when assessing the overall health of the School District.

In the statement of net assets and the statement of activities, the School District has the following activity:

Governmental Activities - Most of the School District's programs and services are reported here, including instruction, support services, non-instructional services, and extracurricular activities expenditures. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

### **Reporting the School District's Most Significant Funds**

#### Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds. The School District's major governmental funds are the General Fund, and the Bond Retirement Debt Service Fund. While the School District uses many funds to account for its financial transactions, these are the most significant.

Governmental Funds - The School District's governmental funds are used to account for the same programs reported as governmental activities on the government-wide financial statements. The School District's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at fiscal year end. These funds are reported using the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund financial statements provide a detailed short-term view of the School District's operations.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School District's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.

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

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

**Government-Wide Financial Analysis**

Table 1 provides a summary of the School District's net assets for fiscal year 2005 compared to fiscal year 2004.

Table 1  
Net Assets (In Thousands)

	Governmental Activities	
	2005	2004
<b>Assets</b>		
Current and Other Assets	\$ 10,578	\$ 10,808
Capital Assets, Net	17,643	17,644
<i>Total Assets</i>	<u>28,221</u>	<u>28,452</u>
<b>Liabilities</b>		
Current and Other Liabilities	8,060	7,901
Long-Term Liabilities	15,993	16,910
<i>Total Liabilities</i>	<u>24,053</u>	<u>24,811</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	2,745	1,846
Restricted	1,703	1,552
Unrestricted	(280)	243
<i>Total Net Assets</i>	<u>\$ 4,168</u>	<u>\$ 3,641</u>

Current and other assets decreased 2.1 percent. The majority of this decrease was in taxes receivable. Overall total assets decreased 0.8 percent.

Current and other liabilities increased 2.0 percent. The majority of the increase was in deferred revenue. Long-term liabilities decreased by 5.4 percent due to payments on debt. Overall total liabilities decreased by 3.1 percent.

Invested in Capital Assets, net of related debt, increased by 48.7 percent. The majority of the increase was due to capitalization of various items from the construction projects on the High School, Middle School, and Lake Elementary. Restricted net assets increased by 9.7 percent due to more money being restricted for set asides. Unrestricted net assets decreased by 215.0 percent due to operations and an increase in set asides.

Table 2 reflects the changes in net assets for fiscal year 2005 and 2004.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

Table 2  
Change in Net Assets (In Thousands)

	Governmental Activities	
	2005	2004
<b>Revenues</b>		
Program Revenues		
Charges for services	\$ 977	\$ 959
Operating grants and contributions	1,079	780
Capital grants and contributions	29	14
<i>Total Program Revenues</i>	<u>2,085</u>	<u>1,753</u>
General Revenues		
Property taxes	7,027	7,551
Payment in lieu of taxes	52	52
Grants and entitlements not restricted to specific programs	5,201	5,045
Interest	70	51
Miscellaneous	7	15
<i>Total General Revenues</i>	<u>12,357</u>	<u>12,714</u>
<i>Total Revenues</i>	<u>14,442</u>	<u>14,467</u>
<b>Expenses</b>		
Instruction	7,797	8,919
Support Services		
Pupils	654	669
Instructional staff	443	717
Board of Education	79	87
Administration	943	907
Fiscal	476	421
Operation and maintenance of plant	701	1,460
Pupil transportation	745	806
Central	145	277
Non-Instructional Services	142	133
Extracurricular Activities	635	782
Interest and Fiscal Changes	685	711
Food Service	470	475
<i>Total Expenses</i>	<u>13,915</u>	<u>16,364</u>
<i>Increase/(Decrease) in Net Assets</i>	527	(1,897)
<i>Net Assets - 7/1/04</i>	3,641	5,538
<i>Net Assets - 6/30/05</i>	<u>\$4,168</u>	<u>\$3,641</u>

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

Governmental Activities

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

Table 3  
Governmental Activities (In Thousands)

	2005		2004	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 7,797	\$ 6,692	\$ 8,919	\$ 8,219
Support Services:				
Pupils and instructional staff	1,097	1,010	1,386	1,290
Board of Education, Administration				
Fiscal and Business	1,498	1,481	1,415	1,399
Operation and maintenance				
of plant	701	687	1,460	1,446
Pupil transportation	745	731	806	791
Central	145	141	277	270
Non-Instructional Services	142	12	133	13
Food Service Operations	470	9	475	14
Extracurricular Activities	635	382	782	459
Interest and Fiscal Charges	685	685	711	711
<i>Total Expenses</i>	\$ 13,915	\$ 11,830	\$ 16,364	\$ 14,612

The School District is dependent upon tax revenues for governmental activities. 85.8 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 84.0 percent. The community, as a whole, is the primary support for Lake Local School District students.

The \$2.45 million decrease in expenditures in the governmental activities was the result of cost cutting measures throughout the School District.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$14,755,117 and expenditures and other financing uses of \$15,042,604. This resulted in a negative change in fund balance of \$287,487 for the fiscal year.

**Budgetary Highlights**

The School District prepares an annual budget of revenues and expenditures for all funds of the School District for use by School District officials and department heads and prepares such other budgetary documents as are required by State statute, including the annual appropriations ordinance which is effective the first day of July. The School District's most significant budgeted fund is the General Fund. During the course of fiscal year 2005, the School District amended its General Fund budget as needed.

For the General Fund, final budgeted revenues did not change significantly from the School District's original estimates.

**Capital Assets and Debt Administration**

Capital Assets

The primary increase in capital assets for governmental activities is the result of construction and renovations for the Middle School, High School, and Lake Elementary. Note 8 provides additional detail regarding capital assets.

Debt

The School District has two school improvement bonds and an energy conservation note that will be fully paid in 2010, 2026, and 2006.

In addition to the debt noted above, the School District's long term debt also includes compensated absences. Note 15 provides additional detail regarding debt.

**Economic Outlook**

Externally, the Ohio Supreme Court found the State of Ohio in March 1997, to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes which are inherently not "equitable" nor "adequate." The Court directed the Governor and the legislature to address the fundamental issues creating the inequities. In 2001, the Ohio legislature crafted a school-funding program to address the Court's concerns.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years. Financially, the future of the School District is not without challenges. Management must diligently plan future expenditures.

All of the School District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the School District's finances, the School District's management is confident that the School District can continue to provide a quality education for our students and provide a secure financial future. As part of this future plan the School District will continue to request the voters to pass a levy for general operations.

**Request for Information**

This financial report is designed to provide a general overview of the School District's finances for all those interested in the School District's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Jack Coffman, Chief Financial Officer, Lake Local School District, 28025 Main Street, Millbury, Ohio 43447.

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**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Statement of Net Assets  
June 30, 2005**

	<u>Governmental Activities</u>
<b>Assets</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 1,896,202
Investments	898,419
Inventory Held for Resale	7,791
Accrued Interest Receivable	6,172
Accounts Receivable	12,934
Intergovernmental Receivable	19,413
Prepaid Items	28,290
Taxes Receivable	7,656,999
Noncurrent Assets:	
Unamortized Bond Issuance Cost	51,427
Non-Depreciable Capital Assets	909,400
Depreciable Capital Assets, net	<u>16,733,538</u>
<i>Total Assets</i>	<u><u>28,220,585</u></u>
<b>Liabilities</b>	
Current Liabilities:	
Accounts Payable	70,893
Accrued Wages and Benefits	871,982
Intergovernmental Payable	320,714
Accrued Interest Payable	58,994
Deferred Revenue	6,736,632
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	878,434
Due in More Than One Year	<u>15,115,036</u>
<i>Total Liabilities</i>	<u><u>24,052,685</u></u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	2,744,590
Restricted for Debt Service	719,669
Restricted for Capital Outlay	620,498
Restricted for Other Purposes	168,757
Restricted for Set Asides	194,098
Unrestricted	<u>(279,712)</u>
<i>Total Net Assets</i>	<u><u>\$ 4,167,900</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Statement of Activities  
For the Fiscal Year Ended June 30, 2005**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$ 6,103,081	\$ 409,392	\$ 144,426	\$ 14,676	\$ (5,534,587)
Special	1,457,921	-	518,192	-	(939,729)
Vocational	235,974	-	18,266	-	(217,708)
Support Services:					
Pupils	654,358	6,500	26,140	-	(621,718)
Instructional Staff	443,223	-	54,700	-	(388,523)
Board of Education	78,525	-	-	-	(78,525)
Administration	943,150	-	17,567	-	(925,583)
Fiscal	476,490	-	-	-	(476,490)
Operation and Maintenance of Plant	700,572	-	13,925	-	(686,647)
Pupil Transportation	745,329	-	750	14,004	(730,575)
Central	144,510	-	3,014	-	(141,496)
Operation of Non-Instructional Services	142,091	-	129,601	-	(12,490)
Operation of Non-Instructional Services:					
Food Service Operations	469,932	308,439	152,540	-	(8,953)
Extracurricular Activities	635,059	252,640	-	-	(382,419)
Interest and Fiscal Charges	684,695	-	-	-	(684,695)
<i>Total Governmental Activities</i>	<u>\$ 13,914,910</u>	<u>\$ 976,971</u>	<u>\$ 1,079,121</u>	<u>\$ 28,680</u>	<u>(11,830,138)</u>

**General Revenues:**

Taxes:	
Property Taxes, Levied for General Purposes	5,484,455
Property Taxes, Levied for Capital Outlay	266,813
Property Taxes, Levied for Debt Service	1,276,619
Grants and Entitlements not Restricted to Specific Programs	5,201,064
Gifts and Donations	5,261
Investment Earnings	69,828
Payments in Lieu of Taxes	51,600
Miscellaneous	1,691
<i>Total General Revenues and Transfers</i>	<u>12,357,331</u>
<i>Change in Net Assets</i>	527,193
Net Assets Beginning of Year	3,640,707
<i>Net Assets End of Year</i>	<u>\$ 4,167,900</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Balance Sheet  
Governmental Funds  
June 30, 2005**

	General Fund	Bond Retirement Fund	All Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 262,303	\$ 572,382	\$ 867,419	\$ 1,702,104
Investments	898,419	-	-	898,419
Inventory Held for Resale	-	-	7,791	7,791
Accrued Interest Receivable	6,172	-	-	6,172
Accounts Receivable	10,317	-	2,617	12,934
Due From Other Funds	5,408	-	-	5,408
Intergovernmental Receivable	-	-	19,413	19,413
Prepaid Items	28,290	-	-	28,290
Taxes Receivable	6,088,536	1,276,030	292,433	7,656,999
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	194,098	-	-	194,098
<b>Total Assets</b>	<b>\$ 7,493,543</b>	<b>\$ 1,848,412</b>	<b>\$ 1,189,673</b>	<b>\$ 10,531,628</b>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	\$ 48,072	\$ -	\$ 22,821	\$ 70,893
Accrued Wages and Benefits	826,338	-	45,644	871,982
Due to Other Funds	-	-	5,408	5,408
Intergovernmental Payable	195,455	-	10,688	206,143
Deferred Revenue	5,703,753	1,177,937	270,331	7,152,021
<b>Total Liabilities</b>	<b>6,773,618</b>	<b>1,177,937</b>	<b>354,892</b>	<b>8,306,447</b>
<b>Fund Balances</b>				
Reserved for:				
Encumbrances	74,362	-	61,705	136,067
Inventory	-	-	7,791	7,791
Prepaid Items	28,290	-	-	28,290
Property Taxes	384,783	98,093	22,102	504,978
Textbooks and Instructional Materials	156,944	-	-	156,944
Budget Stabilization	37,154	-	-	37,154
Unreserved, Undesignated, Reported in:				
General Fund	38,392	-	-	38,392
Special Revenue Funds	-	-	177,562	177,562
Debt Service Funds	-	572,382	-	572,382
Capital Projects Funds	-	-	565,621	565,621
<b>Total Fund Balances</b>	<b>719,925</b>	<b>670,475</b>	<b>834,781</b>	<b>2,225,181</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,493,543</b>	<b>\$ 1,848,412</b>	<b>\$ 1,189,673</b>	<b>\$ 10,531,628</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Reconciliation of Total Governmental Fund Balances  
To Net Assets of Governmental Activities  
June 30, 2005**

<b>Total Governmental Fund Balances</b>	<b>\$ 2,225,181</b>
Amounts reported for governmental activities on the statement of net assets are different because of the following:	
Capital assets are used in governmental activities are not financial resources and, therefore, not reported in the funds:	17,642,938
Other long-term assets are not available to pay for current period expenditures and, therefore, deferred in the funds:	415,389
Unamortized issuance costs are reported as deferred charges on the Statement of Net Assets but as an expenditure on the fund financial statements which do not provide current financial resources and, therefore, are not reported in the funds:	51,427
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources and, therefore not reported in the funds:	(114,571)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:	<u>(16,052,464)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$ 4,167,900</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2005**

	General Fund	Bond Retirement Fund	All Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property and Other Local Taxes	\$ 5,553,846	\$ 1,286,981	\$ 267,963	\$ 7,108,790
Intergovernmental	5,020,239	138,742	1,149,884	6,308,865
Interest	64,854	-	4,974	69,828
Tuition and Fees	279,321	-	57,881	337,202
Rent	7,624	-	-	7,624
Extracurricular Activities	14,011	-	275,099	289,110
Gifts and Donations	2,306	-	14,271	16,577
Customer Sales and Services	11,583	-	320,136	331,719
Payments in Lieu of Taxes	-	-	51,600	51,600
Miscellaneous	86	-	1,605	1,691
<i>Total Revenues</i>	<u>10,953,870</u>	<u>1,425,723</u>	<u>2,143,413</u>	<u>14,523,006</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	5,268,739	-	412,712	5,681,451
Special	921,565	-	531,241	1,452,806
Vocational	234,966	-	-	234,966
Support Services:				
Pupils	620,225	-	33,699	653,924
Instructional Staff	382,049	-	57,243	439,292
Board of Education	78,874	-	500	79,374
Administration	913,241	-	22,695	935,936
Fiscal	438,675	21,084	5,153	464,912
Operation and Maintenance of Plant	1,234,991	-	130,350	1,365,341
Pupil Transportation	652,846	-	750	653,596
Central	134,125	-	3,014	137,139
Operation of Non-Instructional Services	-	-	129,808	129,808
Operation of Non-Instructional Services:				
Food Service Operations	-	-	466,991	466,991
Extracurricular Activities	370,546	-	219,330	589,876
Capital Outlay	-	-	64,144	64,144
Debt Service:				
Principal	-	758,437	-	758,437
Interest	-	702,500	-	702,500
<i>Total Expenditures</i>	<u>11,250,842</u>	<u>1,482,021</u>	<u>2,077,630</u>	<u>14,810,493</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(296,972)</u>	<u>(56,298)</u>	<u>65,783</u>	<u>(287,487)</u>
<b>Other Financing Sources and (Uses)</b>				
Transfers In	223,143	-	8,968	232,111
Transfers Out	(231,691)	-	(420)	(232,111)
<i>Total Other Financing Sources and Uses</i>	<u>(8,548)</u>	<u>-</u>	<u>8,548</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	<u>(305,520)</u>	<u>(56,298)</u>	<u>74,331</u>	<u>(287,487)</u>
Fund Balance at Beginning of Year	1,025,445	726,773	760,450	2,512,668
<i>Fund Balance at End of Year</i>	<u>\$ 719,925</u>	<u>\$ 670,475</u>	<u>\$ 834,781</u>	<u>\$ 2,225,181</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the year ended June 30, 2005**

**Net Change in Fund Balances - Total Governmental Funds** **\$ (287,487)**

Amounts reported for governmental activities in the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, on 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 outlays exceeded depreciation in the current year: 892

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a loss on disposal of capital assets on the statement of activities. (1,900)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds: (80,903)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of activities: 846,356

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. The amortization of premiums and discounts is reported on the statement of activities. 28,445

Issuance costs are reported as an expenditure when paid in the governmental funds, but are deferred and amortized on the statement of activities: (10,640)

The termination of a capital lease not recorded in the capital assets resulted in lowering the expenses in the governmental funds, but the termination reduces long-term liabilities on the statement of net assets. 28,719

Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payables representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds: 3,711

*Change in Net Assets of Governmental Activities* \$ 527,193

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENT.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual Comparison  
General Fund  
For the Fiscal Year Ended June 30, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property and Other Local Taxes	\$ 5,760,500	\$ 5,825,541	\$ 5,753,093	\$ (72,448)
Intergovernmental	4,937,900	4,964,973	5,020,239	55,266
Interest	50,000	65,000	63,346	(1,654)
Tuition and Fees	220,000	278,000	271,293	(6,707)
Rent	6,000	7,200	7,624	424
Extracurricular Activities	18,900	18,900	14,011	(4,889)
Gifts and Donations	-	-	2,306	2,306
Customer Sales and Services	6,800	10,000	11,583	1,583
Miscellaneous	2,100	2,123	757	(1,366)
<i>Total Revenues</i>	<u>11,002,200</u>	<u>11,171,737</u>	<u>11,144,252</u>	<u>(27,485)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	5,482,289	5,362,961	5,231,455	131,506
Special	961,944	934,444	920,448	13,996
Vocational	243,579	247,079	240,143	6,936
Support Services:				
Pupils	653,050	643,450	622,707	20,743
Instructional Staff	441,479	430,067	385,349	44,718
Board of Education	108,917	97,339	79,577	17,762
Administration	953,637	932,021	915,652	16,369
Fiscal	454,452	449,002	438,793	10,209
Operation and Maintenance of Plant	1,437,468	1,411,923	1,298,604	113,319
Pupil Transportation	743,909	710,459	680,477	29,982
Central	152,670	157,070	137,957	19,113
Extracurricular Activities:				
Academic Oriented Activities	56,300	58,000	56,639	1,361
Sport Oriented Activities	370,894	325,772	316,789	8,983
<i>Total Expenditures</i>	<u>12,060,588</u>	<u>11,759,587</u>	<u>11,324,590</u>	<u>434,997</u>
<i>Excess of Expenditures Over Revenues</i>	<u>(1,058,388)</u>	<u>(587,850)</u>	<u>(180,338)</u>	<u>407,512</u>
<b>Other Financing Sources and (Uses)</b>				
Transfers In	225,000	223,143	223,143	-
Refund of Prior Year Expenditures	25,000	27,000	25,519	(1,481)
Transfers Out	(360,000)	(310,000)	(231,692)	78,308
Advances Out	-	(5,500)	(5,408)	92
<i>Total Other Financing Sources and Uses</i>	<u>(110,000)</u>	<u>(65,357)</u>	<u>11,562</u>	<u>76,919</u>
<i>Net Change in Fund Balances</i>	<u>(1,168,388)</u>	<u>(653,207)</u>	<u>(168,776)</u>	<u>484,431</u>
Fund Balance at Beginning of Year	1,301,479	1,301,479	1,301,479	-
Prior Year Encumbrances Appropriated	112,140	112,140	112,140	-
<i>Fund Balance at End of Year</i>	<u>\$ 245,231</u>	<u>\$ 760,412</u>	<u>\$ 1,244,843</u>	<u>\$ 484,431</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2005**

	Private Purpose Trust	Agency Fund
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 720,348	\$ 29,117
Accounts Receivable	-	153
<i>Total Assets</i>	<b>\$ 720,348</b>	<b>\$ 29,270</b>
 <b>Liabilities</b>		
Accounts Payable		\$ 65
Due to Students		29,205
<i>Total Liabilities</i>		<b>\$ 29,270</b>
 <b>Net Assets</b>		
Held in Trust for Scholarships	\$ 720,348	
<i>Total Net Assets</i>	<b>\$ 720,348</b>	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENT.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2005**

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Gifts and Contributions	\$ 8,061
Interest	<u>13,949</u>
<i>Total Additions</i>	<u>22,010</u>
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	<u>6,100</u>
<i>Total Deductions</i>	<u>6,100</u>
<i>Change in Net Assets</i>	15,910
Net Assets Beginning of Year	<u>704,438</u>
<i>Net Assets End of Year</i>	<u><u>\$ 720,348</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF OUR FINANCIAL STATEMENTS.

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**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The District is located in a rural community in Northwest Ohio. It is staffed by 66 non-certificated employees, 103 certificated full-time teaching personnel who provide services to 1,843 students and other community members.

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

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

The School District is associated with four organizations as follows: Northwest Ohio Computer Association, Northern Buckeye Education Council, and Penta Career Center, which are defined as jointly governed organizations; and the Ohio Association of School Business Officials Group Rating Program, which is an insurance purchasing pool. These organizations are presented in Notes 17 and 18 to the basic financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Lake Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

**A. Basis of Presentation**

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

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Government-Wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal 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. 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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

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

**B. Fund Accounting**

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

Governmental Funds

Governmental funds are those through which most governmental functions of the School District 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 School District had two major governmental funds:

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

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

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

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

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include private purpose trust funds and agency funds. The private purpose trust funds account for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**C. Measurement Focus**

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets.

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 are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects 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 fund financial statements for governmental funds.

The private purpose trust funds are accounted for using a flow of economic resources measurement focus.

**D. Basis of Accounting**

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

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Revenues - Exchange and Nonexchange 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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means 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 fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, payment in lieu of taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 to the specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the 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 both measurable and available at fiscal year end: property taxes available as an advance, grants, interest, tuition, and student fees.

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue criteria have been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, are 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 are reported as deferred revenue.

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

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 incurred, is measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**E. Budgetary Process**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amount on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during fiscal year 2005.

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

**F. 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.

**G. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled, except for the federal agency securities purchased and held in a separate management account to the credit of the School District's General Fund only. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents". During fiscal year 2005, investments were limited to certificates of deposit, STAR Ohio, and federal agency securities.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2005. 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, 2005.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$64,854, which includes \$38,059 assigned from other funds.

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

**H. Inventory**

Inventory is presented at the lower of cost or market. Cost is determined on a first-in, first-out basis and is expensed when used on the government-wide financial statements, or recorded as an expenditure/expense when used on the fund financial statements. Inventory is accounted for using the purchase method.

On the fund financial statements, reported inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of donated and purchased foods in the governmental funds.

**I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**J. Restricted Funds**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation.

Restricted assets in the general fund represent cash set aside to establish a budget stabilization reserve and textbook and instructional material reserves. These reserves are required by State statute. Unspecific items need written approval. The total restricted cash as of June 30, 2005, was \$194,098.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**K. Capital Assets**

General capital assets are those not specifically related to activities of an enterprise fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of two thousand dollars. The School District does not have any infrastructure. Improvements are capitalized.

All capital assets, except land and construction in progress, 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:

<u>Description</u>	<u>Useful Lives</u>
Land improvements	10 - 20 years
Buildings and building improvements	10 - 75 years
Furniture, fixtures, and equipment	5 - 20 years
Vehicles	5 - 10 years
Infrastructure	50 years
Library and textbooks (if capitalized)	5 – 10 years

**L. Interfund Assets/Liabilities**

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the government-wide statement of net assets.

**M. 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 School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**N. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported on the government-wide 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, contractually required pension contributions that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Notes are recognized as a liability on the fund financial statements when due.

**O. Unamortized Issuance Costs/Bond Premium and Discount**

On government-wide financial statements, issuance costs and bond discounts are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges. Bond discounts are presented as a reduction of the face amount of bonds payable.

Bond premiums on the capital appreciation bonds are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amounts of the bonds.

On the governmental fund financial statements, issuance costs, bond premiums, and bond discounts are recognized in the current period.

**P. Interfund Transactions**

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

**Q. Fund Balance Reserves**

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for property taxes, encumbrances, inventories of supplies and materials, budget stabilization, prepaid items, and textbook and instructional materials. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**R. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are 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.

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

**S. 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 management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balance 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 presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

- Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING – (Continued)**

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Net Changes in Fund Balance	
Budget Basis	\$ (168,776)
Increase (Decrease) Due To:	
Net adjustment for revenue accruals	(190,382)
Net adjustment for expenditure accruals	(36,217)
Net adjustment for other sources (uses)	(20,110)
Encumbrances outstanding at year end (Budget basis)	109,965
GAAP Basis	\$ (305,520)

**NOTE 4 - ACCOUNTABILITY**

At June 30, 2005, there were several special revenue funds with deficit fund balances. The deficits in the special revenue fund resulted from adjustments for accrued liabilities. The general fund is liable for any deficit funds and provides operating transfers when cash is required, not when accruals occur.

Fund	Fund Description	Deficit Balance
Special Revenue		
009	Uniform Supply Fund	\$ 585
572	Title I Fund	29,641
573	Title V	43

**NOTE 5 - 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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

**LAKE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 5 - DEPOSITS AND INVESTMENTS – (Continued)**

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

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

1. United States treasury notes, bills, bonds, or other obligations 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);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Cash on Hand - At fiscal year end, the School District had \$495 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 5 - DEPOSITS AND INVESTMENTS – (Continued)**

Deposits – Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$51,254 of the bank balance of \$479,654 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the School District’s name.

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

Investments – As of June 30, 2005, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Federal Home Loan Mortgage Corporation	\$ 300,547	11/28/05, 2/17/06
Federal Home Loan Bank	\$ 299,310	8/19/05, 10/25/06
Federal National Mortgage Association	\$ 298,562	7/08/05, 8/18/06
STAR Ohio	<u>2,216,227</u>	30.4 days
<i>Total Investments</i>	<u><u>\$ 3,114,646</u></u>	

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

The Federal Home Loan Bank Bonds carry a rating of AAA by Moody’s and Standard and Poor’s. The Federal Home Loan Mortgage Corporation notes carry a rating of AAA by Standard and Poor’s and Aaa by Moody’s. The Federal National Mortgage Association notes carry a rating of AAA by Standard and Poor’s and Aaa by Moody’s. STAR Ohio carries a rating of AAA by Standard and Poor’s.

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

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

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes, attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 25 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 23 percent of true value.

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

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

The School District receives property taxes from Wood and Ottawa Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent. Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2005. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue.

The assessed values upon which fiscal year 2005 taxes were collected are:

	2004 Second-Half Collections		2005 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 180,262,060	79.01%	\$ 183,866,480	80.31%
Public Utility	17,472,640	7.66%	17,116,070	7.48%
Tangible Personal Property	30,415,069	13.33%	27,961,411	12.21%
Total Assessed Value	<u>\$ 228,149,769</u>	<u>100.00%</u>	<u>\$ 228,943,961</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$ 56.00</u>		<u>\$ 55.40</u>	

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2005, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), accrued interest, 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.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Special Revenue	
Lunch Room Fund	\$ 19,413
<i>Total</i>	\$ 19,413

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance at 6/30/04	Additions	Reductions	Balance at 6/30/05
<b>Governmental Activities</b>				
Non Depreciable Capital Assets				
Land	\$ 909,400	\$ -	\$ -	\$ 909,400
<i>Total Non Depreciable Capital Assets</i>	909,400	-	-	909,400
Depreciable Capital Assets				
Land improvements	2,589,004	103,673	-	2,692,677
Buildings and building improvements	18,635,345	720,030	-	19,355,375
Furniture, fixtures, and equipment	1,216,482	36,269	2,000	1,250,751
Vehicles	1,295,914	15,241	-	1,311,155
Library and textbooks	480,888	-	-	480,888
<i>Total Depreciable Capital Assets</i>	24,217,633	875,213	2,000	25,090,846
Less Accumulated Depreciation				
Land improvements	812,449	127,720	-	940,169
Buildings and building improvements	4,984,596	531,674	-	5,516,270
Furniture, fixtures, and equipment	406,009	94,162	100	500,071
Vehicles	893,624	103,587	-	997,211
Library and textbooks	386,409	17,178	-	403,587
<i>Total Accumulated Depreciation</i>	7,483,087	874,321	100	8,357,308
<i>Depreciable Capital Assets, Net</i>	16,734,546	892	1,900	16,733,538
<i>Governmental Activities Capital Assets, Net</i>	\$ 17,643,946	\$ 892	\$ 1,900	\$ 17,642,938

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 8 - CAPITAL ASSETS – (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	634,467
Special		3,058
Vocational		235
Support Services:		
Instructional staff		15,385
Administration		1,770
Fiscal		2,178
Operation and maintenance of plant		23,097
Pupil transportation		96,492
Central		7,596
Non-instructional services		12,450
Extracurricular activities		77,593
<i>Total Depreciation Expense</i>	<u>\$</u>	<u>874,321</u>

**NOTE 9 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the School District contracted for the following insurance coverage:

Selective Insurance Company of South Carolina:		
Buildings and Contents - Replacement Cost		\$ 41,075,670
Automobile Liability		1,000,000
General School District Liability		
General aggregate		3,000,000
Each occurrence limit		1,000,000
Stop-Gap Employers Liability		
Employers liability each accident		1,000,000
Disease each employee		1,000,000
Disease each policy		1,000,000
Employee Benefits Liability		
Per occurrence limit		1,000,000
Policy aggregate		3,000,000
Public Employee Dishonesty		
Per loss		500,000
Per Occurrence Combined Single Limit		10,000,000
General Aggregate Policy Limit		10,000,000
National Union Fire Insurance Company of Pittsburgh, PA:		
School Leaders Errors and Omissions Policy		
Limit of liability		1,000,000

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 9 - RISK MANAGEMENT – (Continued)**

There have been no significant reductions in insurance coverage from fiscal year 2004 and settled claims, if any, have not exceeded coverage in any of the past three years.

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

The District provides employee life insurance and accidental death and dismemberment insurance to its employees through Guardian Life Insurance in the following amounts: \$150,000 for the superintendent, \$40,000 for certified employees, \$30,000 for its classified employees, and an amount equal to their salary for administrators.

The School District is a member of a cooperative group of Wood County Schools established to provide a self-insurance fund to pay medical/surgical, and prescription drug benefits of employees and their covered dependents. The medical insurance program operates under the control of a Board of Trustees representing the member school and is administered by Medical Mutual of Ohio. The plan provides a medical/surgical plan with a \$50 single and \$100 family deductible. The plan also provides prescription drug care through the major medical portion of the plan. Dental care is provided through Medical Mutual of Ohio and vision insurance through Vision Service Plan.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2005 was 14 percent of annual covered payroll; 10.57 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$135,258, \$129,858, and \$120,501, respectively; 30.6 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 10 - DEFINED BENEFIT PENSION PLANS – (Continued)**

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

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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 member contributions and earned interest matched by STRS Ohio funds times 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance. For the fiscal year ended June 30, 2005, 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 recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003, were \$677,458, \$701,852 and \$671,346; 81 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

***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. The Board's liability is 6.2 percent of wages paid.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$52,112 for fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2005 fiscal year, the School District paid \$96,912 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2005, were \$178,221,113. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168 percent of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be sufficient, in the long-term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has approximately 58,123 participants currently receiving health care benefits

**LAKE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 12 - COMPENSATED ABSENCES**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn up to twenty-five days of vacation per fiscal year, depending upon length of service. Vacation days are credited to classified employees at the end of the school year and must be used within the next twelve months. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 270 days for classified, 290 days for certified, and 305 days for administrators. A percentage of unused sick time is paid at retirement at a rate of 25 percent of accumulated sick leave at the daily rate of pay being received at the time of final service. The entire compensated absences liability is reported on the government-wide financial statements. On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due during the current period. The non-current portion of the liability is not reported.

**NOTE 13 – OPERATING LEASES**

The School District is obligated under an operating lease agreement with Lanier Worldwide, Inc. for copiers. These agreements do not give rise to property rights and are not reflected on the School district's Statement of Net Assets. The minimum quarterly payments are \$11,462. The future rental payments are as follows:

Fiscal Year Ending June 30,	Copier Lease Amounts
2006	\$ 45,848
2007	45,848
2008	45,848
2009	22,924
<i>Total</i>	160,468

**NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE**

The School District has entered into capitalized leases for equipment and furniture and fixtures. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts "Regular Instruction" and "Inception of Capital Lease" in the funds which will be making the lease payments. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital leases consisting of equipment and furniture and fixtures have been capitalized in the statement of net assets. The amounts recorded represent the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the statement of net assets. Payments in fiscal year 2005 totaled \$41,568 from the General Fund and \$75,070 from the Permanent Improvement Fund.

**LAKE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE – (Continued)**

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2005.

Fiscal Year Ending June 30,	Governmental Activities
2006	\$ 79,641
2007	39,821
<i>Total</i>	119,462
Less: Amount Representing Interest	2,699
<i>Present Value of Net Minimum Lease Payments</i>	\$ 116,763

**NOTE 15 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2005 were as follows:

	Principal Outstanding 6/30/2004	Additions	Deductions	Principal Outstanding 6/30/2005	Amounts Due in One Year
General Obligation Bonds					
Middle School Bonds					
Interest Rate - Various	\$ 13,899,993	\$ -	\$ 425,000	\$ 13,474,993	\$ 440,000
High School Bonds -					
Interest Rate - Various	1,370,000	-	260,000	1,110,000	265,000
Unamortized Premium	144,219	-	24,724	119,495	-
Energy Conservation Notes HB 264:					
Interest Rate 4.35 to 5.10%	150,532	-	73,437	77,095	77,095
<i>Total Long-Term Bonds and Notes</i>	15,564,744	-	783,161	14,781,583	782,095
Capital Leases	233,401	-	116,638	116,763	77,276
Compensated Absences	1,112,059	-	16,935	1,095,124	19,063
<i>Total Long-Term Obligations</i>	\$ 16,910,204	\$ -	\$ 916,734	\$ 15,993,470	\$ 878,434

Compensated Absences Payable - The compensated absences liability will be paid from the General fund and the Food Service fund. Additions and deletions of compensated absences are shown net since it is impractical for the School District to determine these amounts separately.

General Obligation Bonds – All general obligation bonds are supported by the full faith and credit of Lake Local School District. General obligation bonds will be paid from property taxes out of the Bond Retirement debt service fund.

Capital Leases Payable - Capital lease obligations will be paid from the fund that maintains custody of the related asset.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 15 - LONG-TERM OBLIGATIONS – (Continued)**

Annual Long-Term Debt Obligation Summary - The following is a summary of the School District's future annual debt service requirements for governmental activities:

Year Ending June 30,	General Obligation Refunding Bonds		HB 264 Conservation Notes		Middle School Renovation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 289,723	\$ 25,031	\$ 77,095	\$ 2,961	\$ 440,000	\$ 647,530
2007	294,723	19,012	-	-	460,000	629,300
2008	299,723	12,263	-	-	480,000	609,790
2009	309,722	4,275	-	-	500,000	588,960
2010	35,604	185,000	-	-	520,000	566,770
2011 - 2015	-	-	-	-	2,154,993	3,304,260
2016 - 2020	-	-	-	-	3,460,000	1,935,130
2021 - 2025	-	-	-	-	4,515,000	886,014
2026	-	-	-	-	945,000	25,397
<i>Total</i>	<u>\$ 1,229,495</u>	<u>\$ 245,581</u>	<u>\$ 77,095</u>	<u>\$ 2,961</u>	<u>\$ 13,474,993</u>	<u>\$ 9,193,151</u>

Prior-Year Defeasance of Debt – In prior years, the School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability of the defeased bonds are not included in the School District's financial statements. At June 30, 2005, \$1,110,000 of bonds outstanding are considered defeased.

**NOTE 16 - STATUTORY RESERVES**

The District is required by state statute to annually set aside in the general fund an amount based on a statutory formula for the purpose of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purpose in future years. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2003 and after, only the unspent portion of certain workers' compensation refunds is required to be set aside at fiscal year end.

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Balance 7/1/2004	\$ 6,347	\$ -	\$ 37,154	\$ 43,501
Required Set-Aside	223,143	223,143		446,286
Current Year Offsets		(316,207)		(316,207)
Qualifying Expenditures	(72,546)			(72,546)
<b>Total</b>	<u>\$ 156,944</u>	<u>\$ (93,064)</u>	<u>\$ 37,154</u>	<u>\$ 101,034</u>
Cash balance carried forward to following year 2005	<u>\$ 156,944</u>	<u>\$ -</u>	<u>\$ 37,154</u>	<u>\$ 194,098</u>

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 16 - STATUTORY RESERVES – (Continued)**

Although the School District has off-sets and qualifying disbursements during the year that reduced the set-aside below zero, the amount for capital maintenance may not be used to reduce the set-aside requirements of future years.

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended Ohio Revised Code § 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. S.B. 345 places special restrictions on the use of Bureau of Workers Compensation (BWC) rebate money remaining in the budget stabilization as of April 10, 2001, which is \$37,154 at June 30, 2005. The District is still required by state law to maintain the textbook and capital maintenance reserve.

Amount restricted for textbooks	\$ 156,944
Amount restricted for budget stabilization	<u>37,154</u>
Total restricted assets	<u><u>\$ 194,098</u></u>

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

Northwest Ohio Computer Association

The School District is a participant in the Northwest Ohio Computer Association (NWOCA) which is a computer consortium. NWOCA is an association of education entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood counties in northwestern Ohio. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

Northern Buckeye Education Council

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

Total Disbursements made by the School District to Northern Buckeye Education Council during this fiscal were \$37,666. These payments include services for NWOCA. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS – (Continued)**

Penta Career Center

The Penta Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each city and exempted village district and seven representatives from the county boards who represent the local districts. This board possesses its own budgeting and taxing authority. To obtain financial information write to the Penta Career Center, Carrie Herringshaw, who serves as Treasurer, at 30095 Oregon Road, Perrysburg, Ohio 43551-4594.

**NOTE 18 - INSURANCE PURCHASING POOL**

Ohio Association of School Business Officials Group Rating Program

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

**NOTE 19 - CONTINGENCIES**

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2005**

PROGRAM	CFDA NUMBER	PASS THROUGH NUMBER
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>		
<i>Passed through the Ohio Department of Education</i>		
<u>Child Nutrition Cluster:</u>		
Food Distribution Program	10.550	-
National School Breakfast Program	10.553	-
National School Lunch Program	10.555	-
Total Nutrition Cluster		
<b>Total United States Department of Agriculture</b>		
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>		
<i>Passed Through the Ohio Department of Education</i>		
Special Education Grants to States - Title VI-B	84.027	050690-6BSF-2005
Title 1 Grants to Local Education Agencies	84.010	050690-C1S1-2004 050690-C1S1-2005
<b>Total Title 1 Grants to Local Education Agencies</b>		
Title IIA Improving Teacher Quality State Grants	84.367	050690-TRS1-2004 050690-TRS1-2004
<b>Total Title IIA Improving Teacher Quality State Grants</b>		
Innovative Education Program Strategies - Title V	84.298	050690-C2S1-2004 050690-C2S1-2005
<b>Total Innovative Education Program Strategies - Title V</b>		
Safe and Drug Free Schools and Communities - State Grants	84.186	050690-DRS1-2005
Technology Title II-D	84.318	050690-TJS1-2004 050690-TJS1-2005
<b>Total Technology Title II-D</b>		
<b>Total United States Department of Education</b>		
<b>TOTAL - ALL FEDERAL ASSISTANCE</b>		

The Notes to the Schedule of Federal Awards Expenditures are an Integral Part of This Schedule.

<u>FEDERAL RECEIPTS</u>	<u>NON-CASH RECEIPTS</u>	<u>FEDERAL DISBURSEMENTS</u>	<u>NON-CASH DISBURSEMENTS</u>
	\$38,294		\$38,294
\$18,118		\$18,118	
129,693		129,693	
<u>147,811</u>	<u>\$38,294</u>	<u>147,811</u>	<u>\$38,294</u>
<u>147,811</u>	<u>\$38,294</u>	<u>147,811</u>	<u>\$38,294</u>
<u>318,656</u>		<u>318,656</u>	
13,698		24,721	
185,835		184,035	
<u>199,533</u>		<u>208,756</u>	
(246)		4,559	
50,604		45,946	
<u>50,358</u>		<u>50,505</u>	
-		1,182	
7,804		6,823	
<u>7,804</u>		<u>8,005</u>	
<u>7,291</u>		<u>7,291</u>	
(420)		-	
5,708		5,216	
<u>5,288</u>		<u>5,216</u>	
<u>588,930</u>		<u>598,429</u>	
<u>736,741</u>	<u>\$38,294</u>	<u>746,240</u>	<u>\$38,294</u>

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**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – FOOD DISTRIBUTION**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. All food commodities are considered expended when received.

**NOTE C – MATCHING REQUIREMENTS**

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

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**Auditor of State  
Betty Montgomery**

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

Lake Local School District  
Wood County  
28025 Main Street, P.O. Box 151  
Millbury, Ohio 43447-0151

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Local School District, Wood County, (the School District) as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

**Compliance and Other Matters**

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the School District's management dated February 14, 2006, we reported other matters related to noncompliance we deemed immaterial.

One Government Center / Room 1420 / Toledo, OH 43604-2246  
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Lake Local School District  
Wood County  
Independent Accountants' Report on Internal Control  
Over Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 14, 2006



**Auditor of State  
Betty Montgomery**

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

Lake Local School District  
Wood County  
28025 Main Street, P.O. Box 151  
Millbury, Ohio 43447-0151

To the Board of Education:

**Compliance**

We have audited the compliance of Lake Local School District, Wood County, (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, Lake Local School District, Wood County, complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2005.

### **Internal Control Over Compliance**

The School District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



**Betty Montgomery**  
Auditor of State

February 14, 2006

**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions 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 weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title VI-B Special Education Grants to States 84.027 Title 1 Grants to Local Educational Agencies 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?	No

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

NONE

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

NONE





**Auditor of State  
Betty Montgomery**

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**LAKE LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 9, 2006**