

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS  
(AUDITED)***

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2009***

**JENNIFER HEDRICK, TREASURER**





Mary Taylor, CPA  
Auditor of State

Board of Education  
Lakota Local School District  
365 Union Street  
P.O. Box 5  
Risingsun, Ohio 43457

We have reviewed the *Independent Auditor's Report* of the Lakota Local School District, Sandusky County, prepared by Julian & Grube, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 31, 2010

**This Page is Intentionally Left Blank.**

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**TABLE OF CONTENTS**

Independent Auditor's Report .....	1 - 2
Management's Discussion and Analysis .....	3 - 12
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	13
Statement of Activities .....	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	15 - 16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	18 - 19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund .....	21
Statement of Net Assets/(Deficit) - Proprietary Fund .....	22
Statement of Revenues, Expenses and Changes in Net Assets/(Deficit) - Proprietary Fund.....	23
Statement of Cash Flows - Proprietary Fund.....	24
Statement of Fiduciary Net Assets - Fiduciary Funds .....	25
Statement of Changes in Fiduciary Net Assets - Fiduciary Fund.....	26
Notes to the Basic Financial Statements.....	27 - 55
Supplementary Data:	
Schedule of Receipts and Expenditures of Federal Awards .....	56
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	57 - 58
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With <i>OMB Circular A-133</i> .....	59 - 60
Schedule of Findings and Responses <i>OMB Circular A-133 §.505</i> .....	61 - 64
Status of Prior Audit Findings <i>OMB Circular A-133 §.505</i> .....	65

**This Page is Intentionally Left Blank.**



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### Independent Auditor's Report

Board of Education  
Lakota Local School District  
365 Union Street  
Risingsun, Ohio 43457-0005

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lakota Local School District, Sandusky County, Ohio, as of and for the fiscal year ended June 30, 2009, which collectively comprise Lakota Local School District's basic financial statements. These financial statements are the responsibility of Lakota Local 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 Lakota Local School District, Sandusky County, Ohio, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the fiscal 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 15, 2010, on our consideration of Lakota Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Independent Auditor's Report  
Lakota Local School District  
Page Two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lakota Local School District's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Lakota Local School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
February 15, 2010



**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The management's discussion and analysis of the Lakota Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2009 are as follows:

- In total, net assets of governmental activities increased \$529,773 which represents a 2.85% increase from 2008.
- General revenues accounted for \$10,633,086 in revenue or 83.54% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,095,452 or 16.46% of total revenues of \$12,728,538.
- The District had \$12,198,765 in expenses related to governmental activities; \$2,095,452 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$10,633,086 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, building fund, and classroom facilities fund. The general fund had \$10,164,615 in revenues and \$10,076,292 in expenditures and other financing uses. During fiscal year 2009, the general fund's fund balance increased \$88,323 from \$122,274 to \$210,597.
- The District's building fund had \$49,871 in revenues and \$183,500 in expenditures. During fiscal year 2009, the building fund's fund balance decreased \$133,629 from \$7,445,398 to \$7,311,769.
- The District's classroom facilities fund had \$5,589,039 in revenues and \$1,343,625 in expenditures. During fiscal year 2009, the classroom facilities fund's fund balance increased \$4,245,414 from \$12,791,249 to \$17,036,663.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, building fund, and classroom facilities fund are by far the most significant funds, and the only governmental funds reported as major funds.

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**Reporting the District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

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

*Fund Financial Statements*

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

*Governmental Funds*

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-21 of this report.

*Proprietary Funds*

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for dental self-insurance. The basic proprietary fund financial statements can be found on pages 22-24 of this report.

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 25 and 26. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-55 of this report.

**The District as a Whole**

Recall that the statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets at June 30, 2009 and June 30, 2008.

	<b>Net Assets</b>	
	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 40,884,443	\$ 41,338,434
Capital assets, net	<u>3,630,074</u>	<u>2,342,462</u>
Total assets	<u>44,514,517</u>	<u>43,680,896</u>
<b><u>Liabilities</u></b>		
Current liabilities	4,497,788	4,017,587
Long-term liabilities	<u>20,916,749</u>	<u>21,093,102</u>
Total liabilities	<u>25,414,537</u>	<u>25,110,689</u>
<b><u>Net assets</u></b>		
Invested in capital assets, net of related debt	2,722,844	1,958,310
Restricted	16,502,200	16,969,216
Unrestricted (deficit)	<u>(125,064)</u>	<u>(357,319)</u>
Total net assets	<u>\$ 19,099,980</u>	<u>\$ 18,570,207</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by \$19,099,980.

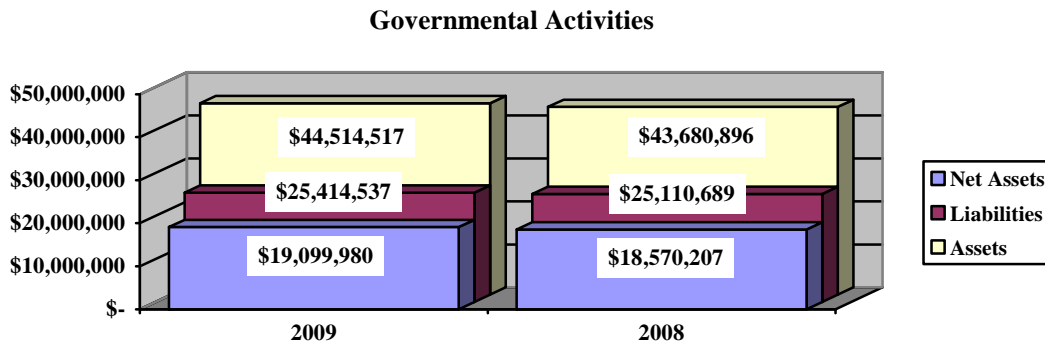
**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

At fiscal year-end, capital assets represented 8.15% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2009, were \$2,722,844. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$16,502,200, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$125,064.

The graph below presents the District's governmental net assets at June 30, 2009 and June 30, 2008.



The table below shows the change in net assets for fiscal years 2009 and 2008.

**Change in Net Assets**

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 587,973	\$ 637,424
Operating grants and contributions	1,485,228	1,583,602
Capital grants and contributions	22,251	10,497
General revenues:		
Property taxes	2,797,839	3,232,900
School district income tax	1,962,627	1,560,894
Grants and entitlements not restricted	5,387,414	5,114,106
Grants and entitlements restricted	-	16,778,295
Investment earnings	441,528	444,085
Other	43,678	11,746
Total revenues	<u>12,728,538</u>	<u>29,373,549</u>

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**Change in Net Assets**

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 5,025,428	\$ 4,993,015
Special	1,570,608	1,547,653
Vocational	6,234	15,659
Other	31,270	28,812
Support services:		
Pupil	633,888	591,977
Instructional staff	373,450	435,986
Board of education	25,067	24,219
Administration	871,060	807,523
Fiscal	245,168	190,456
Business	193,087	149,012
Operations and maintenance	894,258	1,054,580
Pupil transportation	779,186	881,433
Central	58,450	52,725
Operations of non-instructional services:		
Food service operations	494,592	498,741
Other non-instructional services	-	22,468
Extracurricular activities	362,493	348,584
Interest and fiscal charges	<u>634,526</u>	<u>774,454</u>
Total expenses	<u>12,198,765</u>	<u>12,417,297</u>
Change in net assets	529,773	16,956,252
Net assets at beginning of year	<u>18,570,207</u>	<u>1,613,955</u>
Net assets at end of year	<u>\$ 19,099,980</u>	<u>\$ 18,570,207</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$529,773. Total governmental expenses of \$12,198,765 were offset by program revenues of \$2,095,452 and general revenues of \$10,633,086. Program revenues supported 17.18% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, school district income tax and grants and entitlements. These revenue sources represent 79.73% of total governmental revenue.

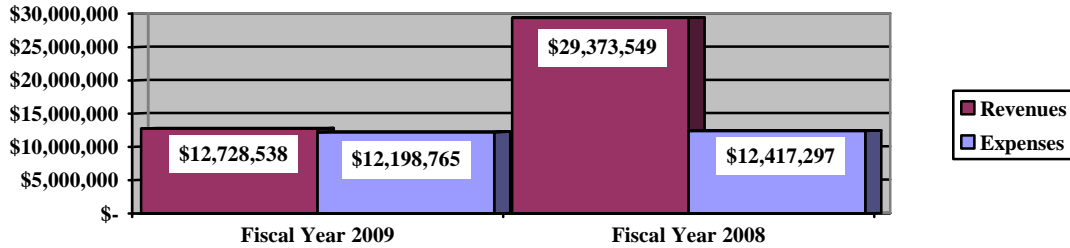
The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,633,540 or 54.38% of total governmental expenses for fiscal year 2009.

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2009 and 2008. The large decrease in revenues from the 2008 to 2009 is primarily due to \$16,778,295 in State grant money that the District received in fiscal year 2008 for the new construction project.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

**Governmental Activities**

	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 5,025,428	\$ 4,673,929	\$ 4,993,015	\$ 4,573,339
Special	1,570,608	700,068	1,547,653	641,985
Vocational	6,234	(4,283)	15,659	8,931
Other	31,270	25,056	28,812	14,344
Support services:				
Pupil	633,888	625,036	591,977	563,538
Instructional staff	373,450	231,924	435,986	230,777
Board of education	25,067	25,067	24,219	24,219
Administration	871,060	794,464	807,523	765,153
Fiscal	245,168	245,168	190,456	190,456
Business	193,087	193,087	149,012	149,012
Operations and maintenance	894,258	888,033	1,054,580	1,025,152
Pupil transportation	779,186	722,976	881,433	860,452
Central	58,450	43,450	52,725	37,725
Operations of non-instructional services:				
Food service operations	494,592	23,720	498,741	32,887
Other non-instructional services	-	-	22,468	22,468
Extracurricular activities	362,493	281,092	348,584	270,882
Interest and fiscal charges	634,526	634,526	774,454	774,454
<b>Total expenses</b>	<b><u>\$ 12,198,765</u></b>	<b><u>\$ 10,103,313</u></b>	<b><u>\$ 12,417,297</u></b>	<b><u>\$ 10,185,774</u></b>

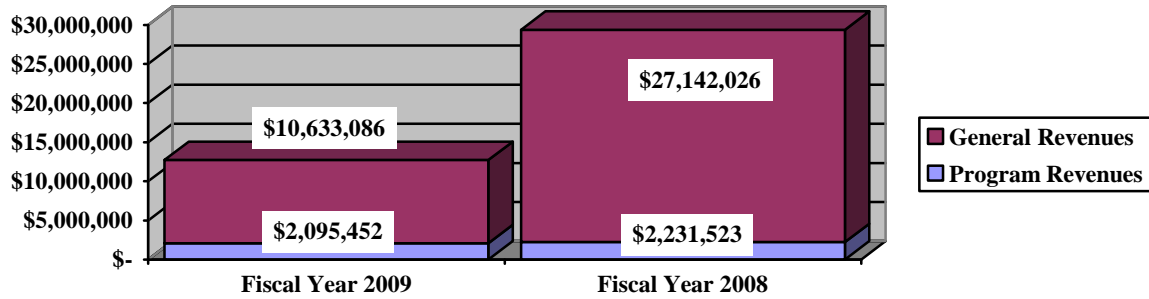
**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The dependence upon tax and other general revenues for governmental activities is apparent, 72.42% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 87.17%.

The graph below presents the District's governmental activities revenue for fiscal years 2009 and 2008.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$25,134,222, which is higher than last year's balance of \$20,719,308. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and June 30, 2008.

	Fund Balance June 30, 2009	Fund Balance June 30, 2008	Increase (Decrease)	Percentage Change
General	\$ 210,597	\$ 122,274	\$ 88,323	72.23 %
Building	7,311,769	7,445,398	(133,629)	(1.79) %
Classroom facilities	17,036,663	12,791,249	4,245,414	33.19 %
Other governmental	<u>575,193</u>	<u>360,387</u>	<u>214,806</u>	59.60 %
Total	<u>\$ 25,134,222</u>	<u>\$ 20,719,308</u>	<u>\$ 4,414,914</u>	21.31 %

**General Fund**

The District's general fund balance increased \$88,323. Although revenues for the general fund decreased slightly, the District spent less than it received, which led to an increase in fund balance.

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 3,983,498	\$ 4,417,052	\$ (433,554)	(9.82) %
Tuition	295,031	295,026	5	0.00 %
Earnings on investments	109,037	93,149	15,888	17.06 %
Intergovernmental	5,737,979	5,560,045	177,934	3.20 %
Other revenues	<u>39,070</u>	<u>65,569</u>	<u>(26,499)</u>	<u>(40.41) %</u>
Total	<u>\$ 10,164,615</u>	<u>\$ 10,430,841</u>	<u>\$ (266,226)</u>	<u>(2.55) %</u>
<b><u>Expenditures</u></b>				
Instruction	\$ 6,045,054	\$ 6,127,004	\$ (81,950)	(1.34) %
Support services	3,632,865	3,760,827	(127,962)	(3.40) %
Extracurricular activities	229,179	208,322	20,857	10.01 %
Facilities acquisition and construction	-	26,410	(26,410)	(100.00) %
Capital outlay	-	52,750	(52,750)	(100.00) %
Debt service	<u>49,194</u>	<u>14,572</u>	<u>34,622</u>	<u>237.59 %</u>
Total	<u>\$ 9,956,292</u>	<u>\$ 10,189,885</u>	<u>\$ (233,593)</u>	<u>(2.29) %</u>

Tax revenues decreased 9.82%. This decrease is partially the result of a smaller amount of taxes collected by the County Auditors which was available as an advance at fiscal year end. These amounts available for advance at year end are recorded as revenue and can vary depending upon when tax bills are sent out by the County Auditors (see Note 6). Earnings on investments increased 17.06% due to more cash available to invest. Other revenues decreased \$26,499 or 40.41% which is due to decreased revenues from local sources.

Overall, general fund expenditures remained comparable to the prior year. Facilities acquisition and construction expenditures in fiscal year 2008 were for improvements to the District's buildings, and capital outlays were related to a new capital lease. Debt service expenditures in the general fund increased due to the District paying off the capital lease ahead of schedule.

***Building Fund***

The District's building fund had \$49,871 in revenues and \$183,500 in expenditures. During fiscal year 2009, the building fund's fund balance decreased \$133,629 from \$7,445,398 to \$7,311,769.

***Classroom Facilities Fund***

The District's classroom facilities fund had \$5,589,039 in revenues and \$1,343,625 in expenditures. During fiscal year 2009, the classroom facilities fund's fund balance increased \$4,245,414 from \$12,791,249 to \$17,036,663.



**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2009, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$10,448,913 and final budgeted revenues and other financing sources were \$10,374,820. Actual revenues and other financing sources for fiscal year 2009 was \$10,438,000. This was \$63,180 more than the final budgeted revenues.

General fund original and final appropriations and other financing uses were \$10,426,150. The actual budget basis expenditures and other financing uses for fiscal year 2009 totaled \$10,294,291, which was \$131,859 below the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2009, the District had \$3,630,074 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The table that follows shows June 30, 2009 balances compared to June 30, 2008:

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

	Governmental Activities	
	2009	2008
Land	\$ 450,809	\$ 450,809
Construction in progress	1,913,629	428,024
Building and improvements	756,992	818,781
Furniture and equipment	210,590	245,561
Vehicles	298,054	399,287
Total	\$ 3,630,074	\$ 2,342,462

The overall increase in capital assets of \$1,287,612 is due to capital outlays of \$1,499,826 exceeding depreciation expense of \$212,214.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2009, the District had \$18,980,000 in current interest bonds, \$499,984 in capital appreciation bonds, and \$123,914 in accreted interest on the capital appreciation bonds outstanding. Of this total, \$515,000 is due within one year and \$19,088,898 is due in more than one year.

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The following table summarizes the bonds outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
Current interest bonds	\$ 18,980,000	\$ 19,130,000
Capital appreciation bonds	499,984	499,984
Accreted interest	123,914	26,510
Lease purchase obligation	<u>-</u>	<u>45,910</u>
Total	<u>\$ 19,603,898</u>	<u>\$ 19,702,404</u>

At June 30, 2009, the District had no remaining voted debt margin, and an unvoted debt margin of \$125,169.

See Note 10 to the basic financial statements for additional information on the District's debt administration.

**Current Financial Related Activities**

The District currently operates on a one percent income tax levy and is at the 20 mill floor for property tax. The District has no permanent improvement fund at this time. In November 2007 voters approved a Combination Levy, 6.5 mills property tax and .5% Income Tax, for the construction of a new Pre-K through 12 school building. This issue is through the Ohio School Facilities Commission's Exceptional Needs Program. The building project has an estimated cost of \$36,400,000. The Ohio School Facilities Commission will provide \$16,778,295 with the balance of \$19,628,000 being paid by the District with the proceeds of the Combination Levy.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Jennifer Hedrick, Treasurer, Lakota Local School District, 356 Union Street, P.O. Box 5, Risingsun, Ohio 43457.

**BASIC  
FINANCIAL STATEMENTS**

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2009

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 16,883,489
Investments . . . . .	8,533,519
Receivables:	
Taxes . . . . .	3,995,930
Accounts . . . . .	4,060
Accrued interest. . . . .	64,129
Intergovernmental . . . . .	11,000,732
Materials and supplies inventory . . . . .	2,304
Unamortized bond issue costs. . . . .	400,280
Capital assets:	
Land . . . . .	450,809
Construction in progress . . . . .	1,913,629
Depreciable capital assets, net . . . . .	1,265,636
Capital assets, net . . . . .	<u>3,630,074</u>
 Total assets . . . . .	 <u>44,514,517</u>
<b>Liabilities:</b>	
Accounts payable . . . . .	30,505
Contracts payable. . . . .	156,438
Accrued wages and benefits . . . . .	961,660
Pension obligation payable . . . . .	271,962
Intergovernmental payable . . . . .	29,689
Unearned revenue . . . . .	2,693,075
Accrued interest payable . . . . .	342,785
Claims payable . . . . .	11,674
Long-term liabilities:	
Due within one year. . . . .	539,472
Due in more than one year . . . . .	<u>20,377,277</u>
 Total liabilities . . . . .	 <u>25,414,537</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt . . . . .	2,722,844
Restricted for:	
Capital projects . . . . .	15,975,039
Classroom facilities maintenance. . . . .	120,000
Debt service . . . . .	116,167
Locally funded programs. . . . .	50,907
State funded programs . . . . .	54,501
Federally funded programs. . . . .	99,218
Student activities. . . . .	693
Other purposes. . . . .	85,675
Unrestricted (deficit) . . . . .	<u>(125,064)</u>
 Total net assets . . . . .	 <u>\$ 19,099,980</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 5,025,428	\$ 291,277	\$ 60,222	\$ -	\$ (4,673,929)
Special . . . . .	1,570,608	3,754	866,786	-	(700,068)
Vocational . . . . .	6,234	-	10,517	-	4,283
Other . . . . .	31,270	-	6,214	-	(25,056)
Support services:					
Pupil . . . . .	633,888	-	8,852	-	(625,036)
Instructional staff . . . . .	373,450	-	141,526	-	(231,924)
Board of education . . . . .	25,067	-	-	-	(25,067)
Administration . . . . .	871,060	23,659	52,937	-	(794,464)
Fiscal . . . . .	245,168	-	-	-	(245,168)
Business . . . . .	193,087	-	-	-	(193,087)
Operations and maintenance . . . . .	894,258	-	6,225	-	(888,033)
Pupil transportation . . . . .	779,186	-	33,959	22,251	(722,976)
Central . . . . .	58,450	-	15,000	-	(43,450)
Operation of non-instructional services:					
Food service operations . . . . .	494,592	189,617	281,255	-	(23,720)
Extracurricular activities . . . . .	362,493	79,666	1,735	-	(281,092)
Interest and fiscal charges . . . . .	634,526	-	-	-	(634,526)
<b>Total governmental activities . . . . .</b>	<b>\$ 12,198,765</b>	<b>\$ 587,973</b>	<b>\$ 1,485,228</b>	<b>\$ 22,251</b>	<b>(10,103,313)</b>

**General revenues:**

Property taxes levied for:	
General purposes . . . . .	2,040,509
Debt service . . . . .	757,330
School district income tax . . . . .	1,962,627
Grants and entitlements not restricted to specific programs . . . . .	5,387,414
Investment earnings . . . . .	441,528
Miscellaneous . . . . .	43,678
<b>Total general revenues . . . . .</b>	<b>10,633,086</b>
Change in net assets . . . . .	529,773
<b>Net assets at beginning of year . . . . .</b>	<b>18,570,207</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 19,099,980</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 168,700	\$ 4,808,407	\$ 11,162,944
Investments . . . . .	-	2,545,958	5,987,561
Receivables:			
Taxes . . . . .	3,358,627	-	-
Accounts . . . . .	3,760	-	-
Intergovernmental . . . . .	77,866	-	10,736,173
Accrued interest . . . . .	-	19,133	44,996
Due from other funds . . . . .	22,887	-	-
Loans to other funds . . . . .	5,000	-	-
Materials and supplies inventory . . . . .	-	-	-
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	59,918	-	-
Total assets . . . . .	<u>\$ 3,696,758</u>	<u>\$ 7,373,498</u>	<u>\$ 27,931,674</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 16,336	\$ -	\$ -
Contracts payable . . . . .	-	42,596	113,842
Accrued wages and benefits . . . . .	847,251	-	-
Compensated absences payable . . . . .	8,806	-	-
Pension obligation payable . . . . .	214,265	-	-
Intergovernmental payable . . . . .	27,247	-	-
Due to other funds . . . . .	-	-	-
Loans to other funds . . . . .	-	-	-
Deferred revenue . . . . .	194,933	19,133	10,781,169
Unearned revenue . . . . .	2,177,323	-	-
Total liabilities . . . . .	<u>3,486,161</u>	<u>61,729</u>	<u>10,895,011</u>
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	47,654	-	68,960
Reserved for materials and supplies inventory . . . . .	-	-	-
Reserved for property tax unavailable for appropriation . . . . .	322,677	-	-
Reserved for textbooks . . . . .	27,170	-	-
Reserved for school bus purchase . . . . .	32,748	-	-
Reserved for loans . . . . .	5,000	-	-
Unreserved, undesignated (deficit), reported in:			
General fund . . . . .	(224,652)	-	-
Special revenue funds . . . . .	-	-	-
Debt service fund . . . . .	-	-	-
Capital projects funds . . . . .	-	7,311,769	16,967,703
Total fund balances . . . . .	<u>210,597</u>	<u>7,311,769</u>	<u>17,036,663</u>
Total liabilities and fund balances . . . . .	<u>\$ 3,696,758</u>	<u>\$ 7,373,498</u>	<u>\$ 27,931,674</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 683,520	\$ 16,823,571
-	8,533,519
637,303	3,995,930
300	4,060
186,693	11,000,732
-	64,129
-	22,887
-	5,000
2,304	2,304
-	59,918
<u>\$ 1,510,120</u>	<u>\$ 40,512,050</u>
\$ 14,169	\$ 30,505
-	156,438
114,409	961,660
-	8,806
57,697	271,962
2,442	29,689
1,677	1,677
5,000	5,000
223,781	11,219,016
<u>515,752</u>	<u>2,693,075</u>
<u>934,927</u>	<u>15,377,828</u>
8,042	124,656
2,304	2,304
84,248	406,925
-	27,170
-	32,748
-	5,000
-	(224,652)
142,983	142,983
337,616	337,616
-	24,279,472
<u>575,193</u>	<u>25,134,222</u>
<u>\$ 1,510,120</u>	<u>\$ 40,512,050</u>

**THIS PAGE IS INTENTIONALLY LEFT BLANK**



**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2009

<b>Total governmental fund balances</b>		\$	25,134,222
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			3,630,074
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds			
Taxes receivable	\$	187,526	
Intergovernmental receivable		10,967,361	
Accrued interest receivable		64,129	
Total			11,219,016
Unamortized bond issuance costs are not recognized in the funds			400,280
Unamortized premiums on bond issuances are not recognized in the funds.			(723,730)
An internal service fund is used by management to charge the costs of dental insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets			(32,884)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds			
Compensated absences		(580,315)	
General obligation bonds payable		(19,603,898)	
Accrued interest payable		(342,785)	
Total			(20,526,998)
<b>Net assets of governmental activities</b>		<b>\$</b>	<b>19,099,980</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<b>General</b>	<b>Building</b>	<b>Classroom Facilities</b>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 3,983,498	\$ -	\$ -
Tuition. . . . .	295,031	-	-
Earnings on investments . . . . .	109,037	45,263	223,099
Charges for services . . . . .	-	-	-
Extracurricular. . . . .	-	-	-
Other local revenues. . . . .	39,070	4,608	-
Intergovernmental - intermediate . . . . .	36,631	-	-
Intergovernmental - state . . . . .	5,701,348	-	5,365,940
Intergovernmental - federal. . . . .	-	-	-
Total revenue . . . . .	10,164,615	49,871	5,589,039
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	4,900,449	-	-
Special. . . . .	1,109,710	-	-
Vocational. . . . .	6,234	-	-
Other . . . . .	28,661	-	-
Support services:			
Pupil. . . . .	628,092	-	-
Instructional staff . . . . .	210,043	-	-
Board of education . . . . .	25,067	-	-
Administration. . . . .	822,717	-	-
Fiscal . . . . .	204,549	-	41,520
Business . . . . .	179,051	-	-
Operations and maintenance. . . . .	841,680	-	-
Pupil transportation . . . . .	663,216	-	-
Central . . . . .	58,450	-	-
Food service operations . . . . .	-	-	-
Extracurricular activities. . . . .	229,179	-	-
Facilities acquisition and construction . . . . .	-	183,500	1,302,105
Debt service:			
Principal retirement . . . . .	45,910	-	-
Interest and fiscal charges . . . . .	3,284	-	-
Total expenditures . . . . .	9,956,292	183,500	1,343,625
Excess (deficiency) of revenues over (under) expenditures. . . . .	208,323	(133,629)	4,245,414
<b>Other financing sources (uses):</b>			
Transfers in. . . . .	-	-	-
Transfers (out) . . . . .	(120,000)	-	-
Total other financing sources (uses). . . . .	(120,000)	-	-
Net change in fund balances . . . . .	88,323	(133,629)	4,245,414
<b>Fund balances at beginning of year . . . . .</b>	122,274	7,445,398	12,791,249
<b>Fund balances at end of year. . . . .</b>	\$ 210,597	\$ 7,311,769	\$ 17,036,663

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 733,553	\$ 4,717,051
-	295,031
4,157	381,556
189,617	189,617
76,660	76,660
57,057	100,735
-	36,631
165,855	11,233,143
967,842	967,842
<u>2,194,741</u>	<u>17,998,266</u>
67,621	4,968,070
445,770	1,555,480
-	6,234
2,178	30,839
7,022	635,114
157,827	367,870
-	25,067
45,076	867,793
-	246,069
14,036	193,087
31,492	873,172
16,022	679,238
-	58,450
489,124	489,124
86,391	315,570
-	1,485,605
150,000	195,910
587,376	590,660
<u>2,099,935</u>	<u>13,583,352</u>
<u>94,806</u>	<u>4,414,914</u>
120,000	120,000
-	(120,000)
<u>120,000</u>	<u>-</u>
214,806	4,414,914
360,387	20,719,308
<u>\$ 575,193</u>	<u>\$ 25,134,222</u>

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<b>Net change in fund balances - total governmental funds</b>	\$	4,414,914
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Capital outlays exceeded depreciation expense in the current period accordingly.		
Capital asset additions	\$ 1,499,826	
Current year depreciation	(212,214)	
Total		1,287,612
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property taxes	43,415	
Intergovernmental revenue	(5,377,272)	
Accrued interest	64,129	
Total		(5,269,728)
Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		195,910
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported on the statement of activities:		
Decrease in accrued interest payable	38,746	
Accretion of interest on "capital appreciation" bonds	(97,404)	
Amortization of bond and note premiums	31,191	
Amortization of bond and note issue costs	(16,399)	
Total		(43,866)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(31,135)
The internal service fund used by management to charge the costs of dental insurance to individual funds is not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		(23,934)
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>529,773</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 4,197,788	\$ 4,168,021	\$ 4,265,194	\$ 97,173
Tuition . . . . .	298,774	296,656	295,031	(1,625)
Earnings on investments . . . . .	110,420	109,637	109,037	(600)
Other local revenues . . . . .	48,995	48,647	48,381	(266)
Intergovernmental - intermediate . . . . .	37,096	36,833	36,631	(202)
Intergovernmental - state . . . . .	5,755,694	5,714,881	5,683,582	(31,299)
Total revenue . . . . .	<u>10,448,767</u>	<u>10,374,675</u>	<u>10,437,856</u>	<u>63,181</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,999,233	4,999,233	4,995,571	3,662
Special . . . . .	1,136,895	1,136,895	1,109,432	27,463
Vocational . . . . .	16,279	16,279	15,886	393
Other . . . . .	31,122	31,122	30,370	752
Support services:				
Pupil . . . . .	665,425	665,425	649,351	16,074
Instructional staff . . . . .	239,218	239,218	233,439	5,779
Board of education . . . . .	25,695	25,695	25,074	621
Administration . . . . .	836,967	836,967	816,749	20,218
Fiscal . . . . .	206,657	206,657	201,665	4,992
Business . . . . .	189,052	189,052	184,485	4,567
Operations and maintenance . . . . .	943,749	943,749	920,951	22,798
Pupil transportation . . . . .	719,299	719,299	701,923	17,376
Central . . . . .	56,679	56,679	55,310	1,369
Extracurricular activities . . . . .	239,880	239,880	234,085	5,795
Total expenditures . . . . .	<u>10,306,150</u>	<u>10,306,150</u>	<u>10,174,291</u>	<u>131,859</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>142,617</u>	<u>68,525</u>	<u>263,565</u>	<u>195,040</u>
<b>Other financing sources:</b>				
Transfers (out) . . . . .	(120,000)	(120,000)	(120,000)	-
Refund of prior year expenditures . . . . .	146	145	144	(1)
Total other financing sources . . . . .	<u>(119,854)</u>	<u>(119,855)</u>	<u>(119,856)</u>	<u>(1)</u>
Net change in fund balance . . . . .	22,763	(51,330)	143,709	195,039
<b>Fund balance (deficit) at beginning of year.</b>	(187,820)	(187,820)	(187,820)	-
<b>Prior year encumbrances appropriated . .</b>	239,150	239,150	239,150	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 74,093</u>	<u>\$ -</u>	<u>\$ 195,039</u>	<u>\$ 195,039</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

STATEMENT OF NET ASSETS/(DEFICIT)  
PROPRIETARY FUND  
JUNE 30, 2009

	<b>Governmental Activities - Internal Service Fund</b>
<b>Liabilities:</b>	
Current liabilities:	
Due to other funds . . . . .	\$ 21,210
Claims payable . . . . .	<u>11,674</u>
Total current liabilities . . . . .	<u>32,884</u>
Total liabilities . . . . .	<u>32,884</u>
<b>Net assets:</b>	
Unrestricted (deficit) . . . . .	<u>(32,884)</u>
Total net assets (deficit) . . . . .	<u>\$ (32,884)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS/(DEFICIT)  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Charges for services . . . . .	\$ 75,322
Total operating revenues . . . . .	<u>75,322</u>
<b>Operating expenses:</b>	
Purchased services. . . . .	6,058
Claims expense. . . . .	<u>93,198</u>
Total operating expenses . . . . .	<u>99,256</u>
Operating loss and change in net assets . . . .	(23,934)
<b>Net assets (deficit) at beginning of year. . .</b>	<u>(8,950)</u>
<b>Net assets (deficit) at end of year . . . . .</b>	<u><u>\$ (32,884)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u><b>Governmental Activities - Internal Service Fund</b></u>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services. . . . .	\$ 75,322
Cash payments for purchased services. . . . .	(6,058)
Cash payments for claims . . . . .	(90,604)
	(21,340)
Net cash used in operating activities . . . . .	(21,340)
<b>Cash flows from noncapital financing activities:</b>	
Cash received from other funds . . . . .	21,210
Net cash provided by noncapital financing activities. . . . .	21,210
Net decrease in cash and cash equivalents. . . . .	(130)
<b>Cash and cash equivalents at beginning of year . . .</b>	<b>130</b>
<b>Cash and cash equivalents at end of year. . . . .</b>	<b>\$ -</b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss . . . . .	\$ (23,934)
Changes in assets and liabilities:	
Increase in claims payable . . . . .	2,594
Net cash used in operating activities . . . . .	<b>\$ (21,340)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2009

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 16,727	\$ 21,541
Total assets. . . . .	16,727	\$ 21,541
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 567
Due to students . . . . .	-	20,974
Total liabilities . . . . .	-	\$ 21,541
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	16,727	
Total net assets . . . . .	\$ 16,727	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 881
Gifts and contributions. . . . .	1,031
	1,912
Total additions. . . . .	1,912
<b>Deductions:</b>	
Scholarships awarded . . . . .	2,100
	(188)
Change in net assets . . . . .	(188)
<b>Net assets at beginning of year . . . . .</b>	<b>16,915</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 16,727</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Lakota Local School District (the "District") is located in Wood, Seneca and Sandusky Counties and includes all of the Village of Risingsun and portions of Liberty and Orange Townships. The District serves an area of approximately 146 square miles.

The District was established in 1959 through the consolidation of existing land areas and Districts and is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by State statute and/or federal guidelines.

The District ranks as the 480<sup>th</sup> largest by enrollment among 922 public and community school districts in Ohio and the fifth largest in Sandusky County. It is staffed by 80 non-certified employees and 86 certified full-time teaching personnel, who provide services to 1,005 students and other community members. The District currently operates 5 instructional buildings and 1 garage.

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

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below:

**A. Reporting Entity**

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

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

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Northern Ohio Educational Computer Association

The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of public Districts within the boundaries of Erie, Huron, Ottawa, Sandusky, and Seneca Counties and Cities of Fremont, Huron, Sandusky, Norwalk, Bellevue, Port Clinton, Fostoria, and Tiffin. 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 Districts. The superintendent of each district is on the Board of Trustees. The District paid \$54,896 to NOECA in fiscal year 2009 for services. Financial information is available from Betty Schwiefert, who serves as controller, at 2900 Columbus Avenue, Sandusky, Ohio 44870.

Vanguard-Sentinel Career Center

The Vanguard-Sentinel Career Center is a distinct political subdivision of the State of Ohio. The Career Center is operated under the direction of a Board of Education, which consists of one representative from each of the Career Center's participating districts' elected board. The Career Center possesses its own budgeting and taxing authority. Financial information is available from Jay Valasek, Treasurer, at 1306 Cedar Street, Fremont, Ohio 43420.

*PUBLIC ENTITY RISK POOL*

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan (GRP) was established as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 11.B. for further information on this group rating plan.

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

The following are the District's 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 for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Building fund* - This fund is used to account for transactions associated with building construction and improvements.

*Classroom facilities fund* - This fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio School Facilities Commission for the building and equipping of classroom facilities.

Other governmental funds of the District are used to account for (a) the accumulation of resources and payment of general long-term debt principal and interest from governmental resources when the government is obligated in some manner for payment; (b) grants and other resources whose use is restricted to a particular purpose; and (c) food service operations.

**PROPRIETARY FUND**

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

*Internal service fund* - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides dental benefits to employees.

**FIDUCIARY FUNDS**

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

**C. Basis of Presentation and Measurement Focus**

*Government-wide Financial Statements* - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of 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 not classified as program revenues are presented as general revenues of the District.

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenue of the District's internal service fund is charges for services. Operating expenses for internal service fund includes the cost of claims and purchased services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

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 a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from income taxes is recognized in the fiscal year in which the underlying exchange transaction occurred (See Note 17).

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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2009 are recorded as deferred revenue in the governmental funds.

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

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

*Expenses/Expenditures* - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except Agency funds). The specific timetable for fiscal year 2009 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Sandusky County Budget Commission for tax rate determination. The Sandusky County Auditor waived this requirement for 2009.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2009.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. Although the legal level of control has been established at the fund level of expenditures, the District has elected to present the budgetary statement for the general fund at the fund and function level of expenditures in the basic financial statements.



**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2009. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the legal level of budgetary control.

**F. Cash and Investments**

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

During fiscal year 2009, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), a repurchase agreement, municipal and corporate bonds and U.S. Government money market mutual funds. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2009. 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 shares price which is the price the investment could be sold for on June 30, 2009.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$109,037 which includes \$33,201 assigned from other funds.

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

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

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

General capital assets are those assets related to governmental activities. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$2,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

All reported 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>	Governmental Activities <u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	50 years
Furniture and equipment	5 - 20 years
Vehicles	8 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds". Long-term advances not expected to be repaid within one year are classified as "loans to/from other funds". These amounts are eliminated in the governmental activities column on the statement of net assets.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2009, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least five years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2009 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and lease purchase agreements are recognized as a liability on the fund financial statements when due.

**L. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a 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 have been established for encumbrances, materials and supplies inventory, property tax revenue unavailable for appropriation, textbooks, school bus purchases and loans. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The restriction for other purposes consists of monies restricted for textbooks, school bus purchases and public school support.

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

**N. Estimates**

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

**O. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

**P. Bond Issuance Costs/Premiums**

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the face value of the bonds and the amount reported on the statement of net assets is presented in Note 10.

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2009.

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2009, the District has implemented GASB Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations”, GASB Statement No. 52, “Land and Other Real Estate Held as Investments by Endowments”, GASB Statement No. 55, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”, and GASB Statement No. 56 “Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards”.

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the District.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB’s authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the District.

GASB Statement No. 56 incorporates into the GASB’s authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants’ (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances/Net Assets**

Fund balances and net assets at June 30, 2009 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Miscellaneous State grants	\$ 74
ESEA Title I grant	33,318
Title VI-B	36,603
Title I	36,983
Reducing class size	6,741
<u>Internal service fund</u>	
Dental self insurance	32,884

Except for the Title I and dental self-insurance funds, these funds complied with Ohio State law, which does not permit a cash basis deficit at year end. The deficit fund balances and net assets result from adjustments for accrued liabilities.

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**C. Noncompliance**

- i.* Ohio Revised Code Section 117.38 requires an annual GAAP report to be filed within one-hundred-fifty days after close of the fiscal year. The fiscal year 2009 report was not filed until January 14, 2010 with the Auditor of State.
- ii.* The District had expenditures that were not certified in a timely manner in noncompliance with Ohio Revised Code Section 5705.41(D).
- iii.* Ohio Administrative Code 117-2-02(c)(1) requires, in part, that local public offices integrate the budgetary accounts, at the legal level or lower, into the financial accounting system. The District did not record all amended appropriations in the system during fiscal year 2009.
- iv.* 31 U.S.C. 7502(a)(1)(A) requires non-federal entities that expend \$500,000 or more in a year in Federal Awards shall have an annual Single or Program Specific audit conducted for that year and filed with the Federal Audit Clearinghouse within nine months of year end. In fiscal year 2007, the District did not file their reporting packet until September 2008.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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 items (1) and (2) above 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 banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At fiscal year end, the District had \$339 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

**B. Deposits with Financial Institutions**

At June 30, 2009, the carrying amount of all District deposits was a deficit of \$235,320, exclusive of the \$390,674 repurchase agreement included in investments below. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the District's bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as "investments." Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, the District's bank balance of \$43,601 was covered by the FDIC.

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

**C. Investments**

As of June 30, 2009, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
Municipal bonds	\$ 5,447,619	\$ -	\$ 407,862	\$ 3,904,238	\$ 318,492	\$ 817,027
Corporate bonds	3,085,900	-	-	2,048,520	-	1,037,380
U.S. Government money market mutual fund	10,935,596	10,935,596	-	-	-	-
STAR Ohio	5,830,468	5,830,468	-	-	-	-
Repurchase agreement	390,674	390,674	-	-	-	-
<b>Total</b>	<b>\$ 25,690,257</b>	<b>\$ 17,156,738</b>	<b>\$ 407,862</b>	<b>\$ 5,952,758</b>	<b>\$ 318,492</b>	<b>\$ 1,854,407</b>

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The entire balance of the District's \$390,674 investment in repurchase agreements is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the fair value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

*Credit Risk:* STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The District's U.S. Government money market mutual funds carry a rating of AAAM by Standard & Poor's. The District's municipal bonds were rated ranging from AAA to AA and Aa3 to A1 by Standard & Poor's and Moody's Investor Services, respectively. The District's corporate bonds were rated Aaa by Moody's Investor Services and were rated AAA by Standard & Poor's. The District has no investment policy that would further limit its investment choices.



**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Municipal bonds	\$ 5,447,619	21.21
Corporate bonds	3,085,900	12.01
U.S. Government money market mutual funds	10,935,596	42.56
STAR Ohio	5,830,468	22.70
Repurchase agreement	390,674	1.52
Total	<u>\$ 25,690,257</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ (235,320)
Investments	25,690,257
Cash on hand	339
Total	<u>\$ 25,455,276</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 25,417,008
Private-purpose trust fund	16,727
Agency fund	21,541
Total	<u>\$ 25,455,276</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2009 as reported on the fund statements, consist of the following loans to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 5,000

These interfund balances will be repaid once the anticipated revenues are received. Long-term interfund balances are not expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2009 are reported on the statement of net assets.

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

**B.** Due to/from other funds consisted of the following at June 30, 2009:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Internal service - dental self-insurance	\$ 21,210
General	Nonmajor governmental funds	1,677

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2009 are reported on the statement of net assets.

**C.** Interfund transfers for the year ended June 30, 2009, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:	<u>Amount</u>
General fund	<u>\$ 120,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 6 - PROPERTY TAXES - (Continued)**

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Sandusky, Wood and Seneca Counties. The County Auditors periodically advance to the Districts its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available as an advance at June 30, 2009 was \$322,677 in the general fund and \$84,248 in the bond retirement fund (a nonmajor governmental fund). These amounts are recorded as revenue. The amount available for advance at June 30, 2008 was \$680,050 in the general fund and \$69,203 in the bond retirement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 113,145,470	93.65	\$ 120,008,700	95.46
Public utility personal	6,008,870	4.97	5,711,140	4.54
Tangible personal property	<u>1,663,786</u>	<u>1.38</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 120,818,126</u>	<u>100.00</u>	<u>\$ 125,719,840</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$36.40		\$42.90	

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2009 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Property taxes	\$ 3,288,998
School district income taxes	706,932
Accounts	4,060
Accrued interest	64,129
Intergovernmental	<u>11,000,732</u>
Total	<u>\$ 15,064,851</u>

Receivables have been disaggregated on the face of the financial statements. The intergovernmental receivable in the amount of \$10,736,173 reported in the classroom facilities fund is expected to be collected over the next several fiscal years as the Ohio School Facilities Commission construction project is completed. All other receivables are expected to be collected within the subsequent year.

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance <u>07/01/08</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/09</u>
<i>Governmental activities:</i>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 450,809	\$ -	\$ -	\$ 450,809
Construction in progress	428,024	1,485,605	-	1,913,629
Total capital assets, not being depreciated	<u>878,833</u>	<u>1,485,605</u>	<u>-</u>	<u>2,364,438</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	90,160	-	-	90,160
Buildings and improvements	4,130,462	-	-	4,130,462
Furniture and equipment	1,239,179	14,221	-	1,253,400
Vehicles	<u>1,615,267</u>	<u>-</u>	<u>-</u>	<u>1,615,267</u>
Total capital assets, being depreciated	<u>7,075,068</u>	<u>14,221</u>	<u>-</u>	<u>7,089,289</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(90,160)	-	-	(90,160)
Buildings and improvements	(3,311,681)	(61,789)	-	(3,373,470)
Furniture and equipment	(993,618)	(49,192)	-	(1,042,810)
Vehicles	<u>(1,215,980)</u>	<u>(101,233)</u>	<u>-</u>	<u>(1,317,213)</u>
Total accumulated depreciation	<u>(5,611,439)</u>	<u>(212,214)</u>	<u>-</u>	<u>(5,823,653)</u>
Governmental activities capital assets, net	<u>\$ 2,342,462</u>	<u>\$ 1,287,612</u>	<u>\$ -</u>	<u>\$ 3,630,074</u>

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 17,123
Special	9,074
Other	382

Support services:

Instructional staff	96
Administration	431
Operations and maintenance	17,884
Pupil transportation	110,326
Extracurricular activities	53,924
Food service operations	<u>2,974</u>
Total depreciation expense	<u>\$ 212,214</u>

**NOTE 9 - LEASE-PURCHASE AGREEMENT**

In a prior fiscal year, the District entered into a lease-purchase agreement for a dump truck. Capital assets consisting of equipment have been capitalized in the amount of \$52,750. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2009 was \$9,891 leaving a current book value of \$42,859. A corresponding liability was recorded in the government-wide financial statements. Lease-purchase payments have been reflected as debt service expenditures in the general fund. The District paid off the lease in fiscal year 2009, two years ahead of schedule, resulting in no future liability.

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 10 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2009, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/08</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/09</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
<u>General Obligation Bonds:</u>					
Series 2008A Issue:					
Current interest bonds	\$ 9,700,000	\$ -	\$ (75,000)	\$ 9,625,000	\$ 200,000
Capital appreciation bonds	199,992	-	-	199,992	-
Accreted interest	11,691	35,882	-	47,573	-
Series 2008B Issue:					
Current interest bonds	2,320,000	-	(50,000)	2,270,000	55,000
Capital appreciation bonds	10,000	-	-	10,000	-
Accreted interest	1,393	5,760	-	7,153	-
Series 2008C Issue:					
Current interest bonds	7,110,000	-	(25,000)	7,085,000	260,000
Capital appreciation bonds	289,992	-	-	289,992	-
Accreted interest	13,426	55,762	-	69,188	-
Total general obligation bonds payable	<u>19,656,494</u>	<u>97,404</u>	<u>(150,000)</u>	<u>19,603,898</u>	<u>515,000</u>
<u>Other Long-Term Obligations:</u>					
Lease purchase agreement	45,910	-	(45,910)	-	-
Compensated absences	635,777	56,105	(102,761)	589,121	24,472
Total other long-term obligations	<u>681,687</u>	<u>56,105</u>	<u>(148,671)</u>	<u>589,121</u>	<u>24,472</u>
Total governmental activities	<u>\$ 20,338,181</u>	<u>\$ 153,509</u>	<u>\$ (298,671)</u>	<u>20,193,019</u>	<u>\$ 539,472</u>
Add: Unamortized premium on bond issue				<u>723,730</u>	
Total on statement of net assets				<u>\$ 20,916,749</u>	

Compensated absences - Compensated absences will be paid from the fund from which the employee's salaries are paid, which for the District is primarily the general fund.

Lease purchase agreement - Refer to Note 9 to the notes to the basic financial statements for detail on the lease purchase agreement.

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

**B. General Obligation Bonds**

On March 20, 2008, the District issued \$9,899,992 in general obligation bonds (Series 2008A School Facilities Construction and Improvement Bonds). This issue is comprised of both current interest bonds, par value \$9,700,000 and capital appreciation bonds, par value \$199,992. The interest rates on the current interest bonds range from 3.250% to 4.250%. The capital appreciation bonds mature on January 15, 2014 and January 15, 2015 (stated interest 16.405%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$540,000. Total accreted interest of \$47,573 has been included in the statement of net assets.

On April 8, 2008, the District issued \$2,330,000 in general obligation bonds (Series 2008B School Facilities Construction and Improvement Bonds). This issue is comprised of both current interest bonds, par value \$2,320,000 and capital appreciation bonds, par value \$10,000. The interest rates on the current interest bonds range from 3.000% to 4.375%. The capital appreciation bonds mature on January 15, 2014 and January 15, 2015 (stated interest 45.810%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$130,000. Total accreted interest of \$7,153 has been included in the statement of net assets.

On April 24, 2008, the District issued \$7,399,992 in general obligation bonds (Series 2008C School Facilities Construction and Improvement Bonds). This issue is comprised of both current interest bonds, par value \$7,110,000 and capital appreciation bonds, par value \$289,992. The interest rates on the current interest bonds range from 2.250% to 4.000%. The capital appreciation bonds mature on January 15, 2014, January 15, 2015 and January 15, 2016 (stated interest 17.725%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$900,000. Total accreted interest of \$69,188 has been included in the statement of net assets.

The bond issues represent the District's local share and local funded initiatives of a construction project approved and significantly funded by the Ohio School Facilities Commission (OSFC). The OSFC has awarded the District a \$16,778,295 grant for the project, and will make quarterly disbursements to the District until the project is completed. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmaturing obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to this bond issue will be recorded as an expenditure in the bond retirement fund (a nonmajor governmental fund). The source of payment is derived from a 6.5 mil bonded debt tax levy.

Interest payments on the current interest bonds are due January 15 and July 15 of each year. The final maturity stated in the 2008A and 2008B issues is January 15, 2036. The final maturity stated in the 2008C issue is January 15, 2031.

The District had unspent bond proceeds of \$19,296,484 as of June 30, 2009.

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a summary of the future debt service requirements to maturity for the 2008 Series bonds:

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 515,000	\$ 752,959	\$ 1,267,959	\$ -	\$ -	\$ -
2011	575,000	736,359	1,311,359	-	-	-
2012	595,000	717,822	1,312,822	-	-	-
2013	610,000	697,846	1,307,846	-	-	-
2014	-	677,372	677,372	227,343	407,657	635,000
2015 - 2019	2,350,000	3,269,896	5,619,896	272,641	662,359	935,000
2020 - 2024	3,935,000	2,618,460	6,553,460	-	-	-
2025 - 2029	4,790,000	1,765,308	6,555,308	-	-	-
2030 - 2034	4,160,000	777,390	4,937,390	-	-	-
2035 - 2036	1,450,000	93,593	1,543,593	-	-	-
<b>Total</b>	<b>\$ 18,980,000</b>	<b>\$ 12,107,005</b>	<b>\$ 31,087,005</b>	<b>\$ 499,984</b>	<b>\$ 1,070,016</b>	<b>\$ 1,570,000</b>

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2009, resulted in no remaining voted debt margin and an unvoted debt margin of \$125,169.



**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the District contracted with Ohio School Plan for fleet insurance and liability insurance, and with Indiana Insurance Company for property, inland marine and crime coverage. Coverages provided by these companies are as follows:

Building and contents - replacement cost (\$5,000 deductible)	\$36,593,471
Crime insurance (\$1,000 deductible)	25,000
Automobile liability (\$1,000 buses other \$250 deductible)	2,000,000
Uninsured motorists (\$1,000 buses other \$250 deductible)	1,000,000
General liability	
Per occurrence	2,000,000
Total per year	4,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. Also, the District has not materially reduced its coverage in the past year.

**B. Workers' Compensation Plan**

For fiscal year 2009, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

**C. Employee Group Health Insurance**

The District offers group life insurance to all employees through Guardian Life Insurance Company. The District offers employee group medical/surgical benefits through Medical Mutual of Ohio. The premium for family is \$1,116.26 and for single is \$408.31. The Board pays 85% of the premium for certified employees and the percentage the Board pays for the non-certified employees varies.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the District.

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 11 - RISK MANAGEMENT - (Continued)**

**D. Self-Insurance**

Dental insurance is offered to employees through a self-insured program. All funds of the District participate in the program and make payments to the dental self-insurance Internal Service fund based on actuarial estimates of the amounts needed to pay prior and current-year claims. The monthly premiums for dental are \$58.25 per person for single/family coverage. The dental self-insurance fund provides coverage of up to a maximum of \$1,500 per individual per year. The District utilizes a third party administrator, Employee Benefits Consultants, to review all claims, which are then paid by the District. There is no stop-loss coverage. Settled claims have not exceeded self-insured coverage since the inception of this program.

The claims liability of \$11,674 reported in the internal service fund at June 30, 2009 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity during fiscal years 2009 and 2008 are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2009	\$ 9,080	\$ 93,198	\$ (90,604)	\$ 11,674
2008	11,466	76,321	(78,707)	9,080

**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$158,705, \$156,012 and \$156,833, respectively; 44.71 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 12 - PENSION PLANS - (Continued)**

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

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

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

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

Funding Policy - For fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$498,095, \$514,718 and \$543,702, respectively; 80.78 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$8,014 made by the District and \$14,366 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2009, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$97,312, \$93,772 and \$81,319, respectively; 44.71 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$13,094, \$11,241 and \$10,665, respectively; 44.71 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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

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

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$38,315, \$39,594 and \$41,823, respectively; 80.78 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

	<u>General Fund</u>
<b>Net Change in Fund Balance</b>	
Budget basis	\$ 143,709
Net adjustment for revenue accruals	(273,241)
Net adjustment for expenditure accruals	161,533
Net adjustment for other sources/uses	(144)
Adjustment for encumbrances	<u>56,466</u>
GAAP basis	<u><u>\$ 88,323</u></u>

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 15 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**NOTE 16 - STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2009, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2008	\$ 60,377	\$ (19,469,181)
Current year set-aside requirement	162,361	162,381
Qualifying disbursements	<u>(195,568)</u>	<u>(12,192)</u>
 Total	 <u>\$ 27,170</u>	 <u>\$ (19,318,992)</u>

Bonds issued during fiscal year 2008 were prior year offsets for the capital acquisition reserve that may be carried forward to future years.

A schedule of the governmental fund restricted assets at June 30, 2009 follows:

Amount restricted for textbooks	\$ 27,170
Amount restricted for school bus purchases	<u>32,748</u>
 Total restricted assets	 <u>\$ 59,918</u>

**NOTE 17 - INCOME TAX**

The District levies a voted tax of 1.00 percent for general operations on the income of residents and of estates. The tax was approved by voters in March 2004, and is a continuing tax. In November 2007, voters approved an additional .5% income tax for the construction of the new Pre-K through 12 school building. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and totaled \$1,962,627 for fiscal year 2009.

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 18 - CONTRACTUAL COMMITMENTS**

As of June 30, 2009, the District had the following contractual commitments outstanding related to the Construction Project described in Note 10.B. A summary of the primary contractual commitments follows:

<u>Contractor</u>	<u>Original Contract Amount</u>	<u>Amount Paid Through June 30, 2009</u>	<u>Remaining Contract Amount</u>
Garmann Miller	\$ 1,980,628	\$ (1,392,478)	\$ 588,150
Unilliance	92,008	(85,640)	6,368
Mel Lanzer	17,089,795	-	17,089,795
Coyle Mechanical	993,859	-	993,859
Vaughn Industries	3,891,000	-	3,891,000
Lake Erie Electric	3,261,472	-	3,261,472
Accel Fire Systems	<u>265,400</u>	<u>-</u>	<u>265,400</u>
Totals	<u>\$ 27,574,162</u>	<u>\$ (1,478,118)</u>	<u>\$ 26,096,044</u>

## **SUPPLEMENTARY DATA**



**LAKOTA LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(D) PASS-THROUGH GRANT NUMBER	(C) CASH FEDERAL RECEIPTS	(C) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<b>Nutrition Grant Cluster:</b>				
(B)(F) School Breakfast Program	10.553	2009	\$ 66,750	\$ 66,750
<b>Total School Breakfast Program</b>			<u>66,750</u>	<u>66,750</u>
(A)(F) National School Lunch Program- Food Donation	10.555	2009	22,954	22,954
(B)(F) National School Lunch Program	10.555	2009	183,195	183,195
<b>Total National School Lunch Program</b>			<u>206,149</u>	<u>206,149</u>
<b>Total U.S. Department of Agriculture and Nutrition Grant Cluste</b>			<u>272,899</u>	<u>272,899</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
Title I Grants to Local Educational Agencies	84.010	2008	55,660	53,678
Title I Grants to Local Educational Agencies	84.010	2009	159,441	161,118
<b>Total Title I Grants to Local Educational Agencies</b>			<u>215,101</u>	<u>214,796</u>
Migrant Education_State Grant Program	84.011	2008	77,040	81,659
Migrant Education_State Grant Program	84.011	2009	25,613	21,653
<b>Total Migration Education_State Grant Program</b>			<u>102,653</u>	<u>103,312</u>
<b>Special Education Grant Cluster:</b>				
(E) Special Education_Grants to States	84.027	2008	65,694	74,010
(E) Special Education_Grants to States	84.027	2009	217,250	217,082
<b>Total Special Education Grants to State</b>			<u>282,944</u>	<u>291,092</u>
(E) Special Education_Preschool Grants	84.173	2008	13,960	-
(E) Special Education_Preschool Grants	84.173	2009	12,288	12,288
<b>Total Special Education Preschool Grants</b>			<u>26,248</u>	<u>12,288</u>
<b>Total Special Education Grant Cluster</b>			<u>309,192</u>	<u>303,380</u>
Safe and Drug-Free Schools and Communities_State Grants	84.186	2008	3,538	4,506
Safe and Drug-Free Schools and Communities_State Grants	84.186	2009	4,464	921
<b>Total Safe and Drug-Free Schools and Communities_State Grants</b>			<u>8,002</u>	<u>5,427</u>
State Grants for Innovative Programs	84.298	2008	1,806	1,709
State Grants for Innovative Programs	84.298	2009	794	794
<b>Total State Grants for Innovative Programs</b>			<u>2,600</u>	<u>2,503</u>
Education Technology State Grants	84.318	2008	-	1,359
Education Technology State Grants	84.318	2009	2,819	2,819
<b>Total Educational Technology State Grants</b>			<u>2,819</u>	<u>4,178</u>
Improving Teacher Quality State Grants	84.367	2008	3,968	3,427
Improving Teacher Quality State Grants	84.367	2009	48,839	46,367
<b>Total Improving Teacher Quality State Grants</b>			<u>52,807</u>	<u>49,794</u>
<b>Total U.S. Department of Education</b>			<u>693,174</u>	<u>683,390</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 966,073</u>	<u>\$ 956,289</u>

- (A) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at the entitlement value.  
 (B) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first in, first out basis.  
 (C) This schedule was prepared on the cash basis of accounting.  
 (D) OAKS did not assign pass-through grant numbers for fiscal year 2009.  
 (E) Included as part of "Special Education Grant Cluster" in determining major programs.  
 (F) Included as part of "Nutrition Grant Cluster" in determining major programs.



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

Board of Education  
Lakota Local School District  
365 Union Street  
Risingsun, Ohio 43457-0005

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lakota Local School District, Sandusky County, Ohio, as of and for the fiscal year ended June 30, 2009, which collectively comprise Lakota Local School District's basic financial statements and have issued our report thereon dated February 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lakota Local School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lakota Local School District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Lakota Local School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Lakota Local School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Lakota Local School District's financial statements that is more than inconsequential will not be prevented or detected by Lakota Local School District's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as items 2009-LLSD-001 through 2009-LLSD-004.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Lakota Local School District's internal control.

Board of Education  
Lakota Local School District

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2009-LLSD-001 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lakota Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and responses as items 2009-LLSD-002 through 2009-LLSD-004.

We noted certain matters that we reported to the management of Lakota Local School District in a separate letter dated February 15, 2010.

Lakota Local School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Lakota Local School District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the management and Board of Education of Lakota Local School District and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.  
February 15, 2010



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Compliance With Requirements Applicable to Each  
Major Program and on Internal Control Over Compliance  
in Accordance With OMB Circular A-133**

Board of Education  
Lakota Local School District  
365 Union Street  
Risingsun, Ohio 43457-0005

Compliance

We have audited the compliance of Lakota Local School District, Sandusky County, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each major federal program for the fiscal year ended June 30, 2009. Lakota Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses. Compliance with the requirements of laws, regulations, contracts and grants applicable to each major federal program is the responsibility of Lakota Local School District's management. Our responsibility is to express an opinion on Lakota Local 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, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lakota Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Lakota Local School District's compliance with those requirements.

In our opinion, Lakota Local School District complied, in all material respects, with the requirements referred to above that are applicable to each major federal program for the fiscal year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and is described in the accompanying schedule of findings and responses as item 2009-LLSD-005.

Board of Education  
Lakota Local School District

Internal Control Over Compliance

The management of Lakota Local School District 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 Lakota Local School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lakota Local School District's internal control over compliance.

A control deficiency in Lakota Local School District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Lakota Local School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Lakota Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Lakota Local School District's internal control.

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

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

This report is intended solely for the information and use of the management and Board of Education of Lakota Local School District and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.  
February 15, 2010

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2009**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for the major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for the major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510?</i>	Yes
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Special Education Cluster: Special Education Grants to States - CFDA #84.027; Special Education - Preschool Grants - CFDA #84.173; Title I Grants to Local Educational Agencies - CFDA #84.010.
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2009**

<b>2. FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2009-LLSD-001

**Significant Deficiency/Material Weakness**

We identified misstatements in the financial statements for the fiscal year ending June 30, 2009 that were not initially identified by the District’s internal control procedures. Audit adjustments were necessary to correct the errors in the District’s financial statements and notes. Descriptions of the adjustments are as follows:

**Property Tax Revenue** - The District improperly recorded a tax advance. An audit adjustment was required to decrease the General fund and to increase the Bond Retirement fund by \$111,389, respectively. The District made this correction in fiscal year 2010 to properly state cash fund balances.

**Income Tax Revenue** - The District improperly allocated income tax revenue. This required the following audit adjustment on the respective cash fund balances:

General Fund increase	\$ 370,317
Classroom Facilities Fund decrease	(145,425)
Bond Retirement Fund decrease	(224,892)

The District made this correction in fiscal year 2010 to properly state cash fund balances.

In addition, the District improperly recorded income tax receipts to account for a transfer to the Classroom Facilities fund by netting income tax receipts. An audit adjustment (reclassification) was recorded to properly state the transaction as a transfer. There was no effect on District cash balances.

The presentation of materially correct financial statements and the related footnotes is the responsibility of management. We recommend that the District implement control procedures that enable management to identify, present, detect and correct potential misstatements in the financial statements and footnotes.

*Client Response:* In the future, the Treasurer will review all receipts, expenditures and allocations for accuracy.

Finding Number	2009-LLSD-002
----------------	---------------

**Significant Deficiency/Noncompliance**

The District is in noncompliance with Ohio Revised Code Section 117.38 which requires the annual GAAP report to be filed within one hundred fifty days after the close of the fiscal year. The District also lacks some controls over timely and accurate financial reports. The fiscal year 2009 financial report was not filed until January 14, 2010 with the Auditor of State.

There were delays in receiving timely and current financial information as well as District responses. This lack of controls over financial reporting could significantly impact management’s ability to effectively guide the District. Critical area such as financial analysis could negatively impact the District.

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2009**

<b>2. FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2009-LLSD-002 - (Continued)

We recommend the District management take a more active role in overseeing the timeliness of the financial reporting process. This may require compiling information in a more timely fashion to help facilitate an accurate financial report.

*Client's Response:* The Treasurer is aware of the requirements and is making an effort to be more timely for 2010.

Finding Number	2009-LLSD-003
----------------	---------------

**Significant Deficiency/Noncompliance**

Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the expenditure of monies are to be made unless there is certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

For the fiscal year ended June 30, 2009, 73% of expenditures tested were not certified in a timely manner and the District did not utilize "Then & Now" Certificates.

Without timely certification and the lack of "Then & Now" certification, the District may expend more funds than available in the treasury, or in the process of collection, or appropriated. This may also result in unnecessary purchases.

We recommend that all orders or contracts involving the expenditure of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection and or a "Then & Now" certification is approved on the purchase order.

*Client Response:* The District Treasurer is working to certify expenditures more timely.

Finding Number	2009-LLSD-004
----------------	---------------

**Significant Deficiency/Noncompliance**

Ohio Administrative Code 117-2-02(C)(1) states, in part, that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.

For the fiscal year ended June 30, 2009, the District amended appropriations throughout the year through Board resolution. However, not all amendments were posted to the District's financial accounting system, the variance between approved appropriations and recorded appropriations totaled \$23,046,290.



**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2009**

<b>2. FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2009-LLSD-004 - (Continued)

By not recording the amended appropriations in the District's financial accounting system, management of the District provided an accurate picture of the District's financial condition throughout the year and at fiscal year end.

We recommend that upon approval of amended appropriations by the Board, that the Treasurer record all amendments to the system in a timely manner. We further recommend that District management take a more active role in overseeing the timeliness of the modifications to the District's financial accounting system to ensure that financial data is up to date throughout the year and at fiscal year end.

*Client Response:* The Treasurer will make an effort to record all amended appropriations to the District's financial accounting system in a timely manner in the future.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>	
--	--

Finding Number	2009-LLSD-005
CFDA Title and Number	N/A
Federal Award Number/Year	2007
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Non-compliance Finding

31 U.S.C. 7502(a)(1)(A) requires non-federal entities that expend \$500,000 or more in a year in Federal Awards shall have an annual Single or Program-Specific audit conducted for that year and filed with the Federal Audit Clearing House within nine months after year end.

The District expended \$1,128,161 in federal awards in fiscal year 2007, but did not file their reporting packet with the Federal Audit Clearinghouse until September 2008.

We recommend that upon completion of the annual audit, that the District ensure timely filing of all required reports to the Federal Audit Clearinghouse.

*Client Response:* The District was experiencing turnover in the Treasurer's Office during fiscal year 2008 and missed the filing deadline. District management will strive to be more timely in the future.

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .505**

**JUNE 30, 2009**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></b>
2008-LLSD-001	<u>Significant Deficiency/Noncompliance</u> - Ohio Revised Code Section 117.38 requires the annual GAAP report to be filed within one-hundred-fifty days after the close of the fiscal year.	No	Not corrected; repeated as finding 2009-LLSD-002
2008-LLSD-002	Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of monies are to be made unless there is a certificate of the Fiscal Officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.	No	Not corrected; repeated as finding 2009-LLSD-003



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### **Independent Accountant's Report on Applying Agreed-Upon Procedures**

Lakota Local School District  
Sandusky County  
356 Union Street  
Risingsun, Ohio 43457

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on December 10, 2007.
2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;

- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Ohio Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States.
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

This report is intended solely for the information and use of the Board of Education of Lakota Local School District and is not intended to be and should not be used by anyone other than this specified party.



Julian & Grube, Inc.  
February 15, 2010



**Mary Taylor, CPA**  
Auditor of State

LAKOTA LOCAL SCHOOL DISTRICT

SANDUSKY 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  
APRIL 13, 2010