

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

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

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2006***

**PAMELA BARBER, TREASURER**





Mary Taylor, CPA  
Auditor of State

Board of Education  
Lakota Local School District  
356 Union Street  
P.O. Box 5  
Risingsun, Ohio 43457-0005

We have reviewed the *Independent Auditor's Report* of the Lakota Local School District, Sandusky County, prepared by Julian and Grube, Inc., for the audit period July 1, 2005 through June 30, 2006. 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

February 6, 2007

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**LAKOTA LOCAL SCHOOL DISTRICT**  
**SANDUSKY COUNTY, OHIO**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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**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, its major fund, and the aggregate remaining fund information of the Lakota Local School District, Sandusky County, (the "District"), as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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, its major fund, and the aggregate remaining fund information of the Lakota Local School District, Sandusky County, as of June 30, 2006, 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 December 4, 2006, on our consideration of the 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 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 the 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.  
December 4, 2006

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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, 2006. 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 2006 are as follows:

- In total, net assets of governmental activities decreased \$612,077 which represents a 22.18% decrease from 2005.
- General revenues accounted for \$9,875,703 in revenue or 86.18% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,583,733 or 13.82% of total revenues of \$11,459,436.
- The District had \$12,071,513 in expenses related to governmental activities; \$1,583,733 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 \$9,875,703 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$9,576,030 in revenues and \$10,123,952 in expenditures and other financing uses. During fiscal year 2006, the general fund's fund balance decreased \$779,122 from a balance of \$585,402 to a deficit balance of \$193,720.

**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 is by far the most significant fund, and the only governmental fund reported as a major fund.

**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 2006?" 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.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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 only major governmental fund is the general 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 15-19 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 20-22 of this report.

***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 23 and 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

*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 25-49 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 for 2006 and 2005.

	<b>Net Assets</b>	
	Governmental Activities 2006	Governmental Activities 2005
<b><u>Assets</u></b>		
Current and other assets	\$ 4,507,820	\$ 4,830,370
Capital assets, net	<u>2,155,242</u>	<u>2,272,128</u>
Total assets	<u>6,663,062</u>	<u>7,102,498</u>
<b><u>Liabilities</u></b>		
Current liabilities	3,847,515	3,595,521
Long-term liabilities	<u>667,928</u>	<u>747,281</u>
Total liabilities	<u>4,515,443</u>	<u>4,342,802</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	2,104,447	2,122,996
Restricted	252,850	666,162
Unrestricted (deficit)	<u>(209,678)</u>	<u>(29,462)</u>
Total net assets	<u>\$ 2,147,619</u>	<u>\$ 2,759,696</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$2,147,619.

At fiscal year-end, capital assets represented 32.35% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2006, were \$2,104,447. 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.

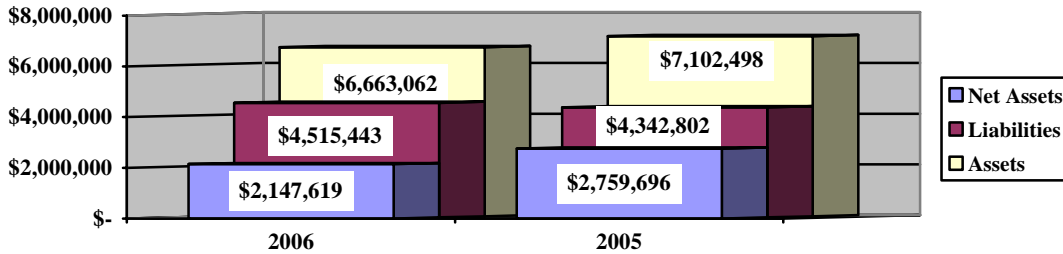
**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

A portion of the District's net assets, \$252,580, 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 \$209,678.

The table below illustrates the District's assets, liabilities and net assets at June 30, 2006 and 2005.

**Governmental Activities**



The table below shows the change in net assets for fiscal years 2006 and 2005.

**Change in Net Assets**

	Governmental Activities 2006	Governmental Activities 2005
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 416,740	\$ 290,892
Operating grants and contributions	1,128,106	1,021,936
Capital grants and contributions	38,887	-
General revenues:		
Property taxes	3,146,058	3,247,089
School district income tax	989,892	-
Grants and entitlements	5,550,652	5,664,871
Investment earnings	45,804	41,395
Other	143,297	102,659
<b>Total revenues</b>	<b>11,459,436</b>	<b>10,368,842</b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**Change in Net Assets**

	<u>Governmental Activities 2006</u>	<u>Governmental Activities 2005</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 5,176,090	\$ 3,945,160
Special	2,428,494	1,627,554
Vocational	29,911	13,155
Other	74,725	873,381
Support services:		
Pupil	397,203	340,156
Instructional staff	274,027	206,421
Board of education	4,607	17,042
Administration	857,819	745,124
Fiscal	148,411	147,365
Business	149,976	247,800
Operations and maintenance	918,476	741,898
Pupil transportation	802,371	768,960
Central	29,380	41,172
Operations of non-instructional service	21,969	24,927
Extracurricular activities	312,185	353,108
Food service operations	439,900	505,541
Interest and fiscal charges	<u>5,969</u>	<u>10,708</u>
Total expenses	<u>12,071,513</u>	<u>10,609,472</u>
Change in net assets	(612,077)	(240,630)
Net assets at beginning of year	<u>2,759,696</u>	<u>3,000,326</u>
Net assets at end of year	<u><u>\$ 2,147,619</u></u>	<u><u>\$ 2,759,696</u></u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$612,077. Total governmental expenses of \$12,071,513 were offset by program revenues of \$1,583,733 and general revenues of \$9,875,703. Program revenues supported \$1,583,733 or 13.12% 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 84.53% of total governmental revenue.

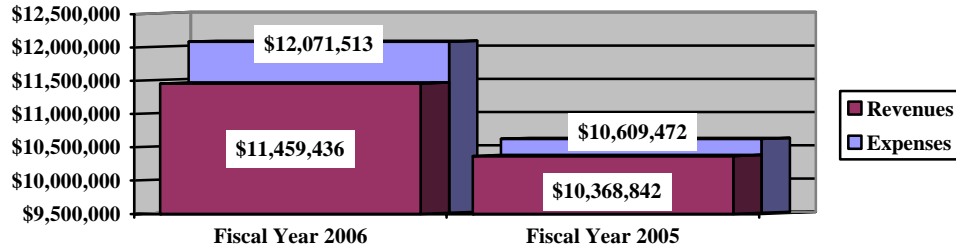
The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,709,220 or 63.86% of total governmental expenses for fiscal 2006.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2006 and 2005.

**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>2006</u>	Net Cost of Services <u>2006</u>	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 5,176,090	\$ 4,916,355	\$ 3,945,160	\$ 3,812,155
Special	2,428,494	1,744,701	1,627,554	1,044,345
Vocational	29,911	29,911	13,155	13,155
Other	74,725	51,182	873,381	873,381
Support services:				
Pupil	397,203	355,206	340,156	292,948
Instructional staff	274,027	263,977	206,421	206,421
Board of education	4,607	4,607	17,042	17,042
Administration	857,819	840,402	745,124	705,380
Fiscal	148,411	148,411	147,365	147,365
Business	149,976	149,976	247,800	247,800
Operations and maintenance	918,476	918,476	741,898	741,898
Pupil transportation	802,371	791,643	768,960	756,384
Central	29,380	24,594	41,172	41,172
Operations of non-instructional services	21,969	(6,431)	24,927	427
Extracurricular activities	312,185	228,931	353,108	277,506
Food service operations	439,900	19,870	505,541	108,557
Interest and fiscal charges	5,969	5,969	10,708	10,708
<b>Total expenses</b>	<b><u>\$ 12,071,513</u></b>	<b><u>\$ 10,487,780</u></b>	<b><u>\$ 10,609,472</u></b>	<b><u>\$ 9,296,644</u></b>

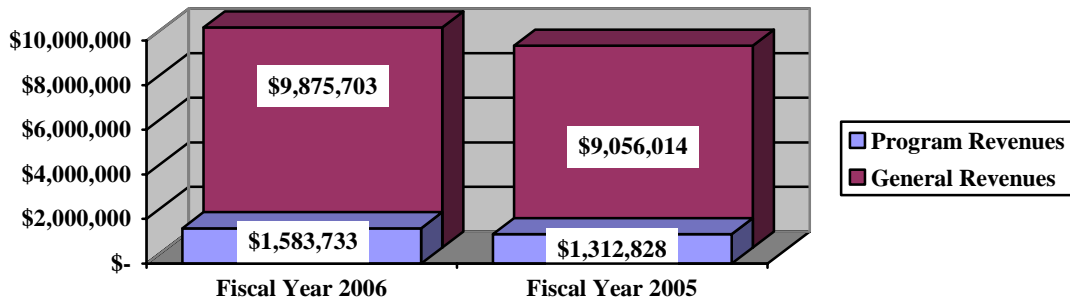
**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The dependence upon tax and other general revenues for governmental activities is apparent, 87.46% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 86.88%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2006 and 2005.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$31,970, which is lower than last year's balance of \$931,363. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	Fund Balance June 30, 2006	Fund Balance June 30, 2005	Decrease	Percentage Change
General	\$ (193,720)	\$ 585,402	\$ (779,122)	(133.09) %
Other Governmental	<u>225,690</u>	<u>345,961</u>	<u>(120,271)</u>	(34.76) %
Total	<u>\$ 31,970</u>	<u>\$ 931,363</u>	<u>\$ (899,393)</u>	(96.57) %

**General Fund**

The District's general fund balance decreased \$779,122. The decrease in fund balance can be attributed to several items related to expenditures increasing faster than revenues. On March 3, 2005 the Governor of the State of Ohio issued an executive order to reduce funding to school districts to help offset the state's fiscal year deficit. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 3,776,598	\$ 3,238,303	\$ 538,295	16.62 %
Tuition	113,487	-	113,487	100.00 %
Earnings on investments	42,698	39,975	2,723	6.81 %
Intergovernmental	5,550,652	5,664,871	(114,219)	(2.02) %
Other revenues	<u>92,595</u>	<u>62,899</u>	<u>29,696</u>	47.21 %
Total	<u>\$ 9,576,030</u>	<u>\$ 9,006,048</u>	<u>\$ 569,982</u>	6.33 %
<b><u>Expenditures</u></b>				
Instruction	\$ 6,484,438	\$ 5,925,373	\$ 559,065	9.44 %
Support services	3,330,226	3,071,089	259,137	8.44 %
Non-instructional services	109	-	109	100.00 %
Extracurricular activities	202,873	161,519	41,354	25.60 %
Facilities acquisition and construction	2,000	-	2,000	100.00 %
Debt service	<u>104,306</u>	<u>104,304</u>	<u>2</u>	0.00 %
Total	<u>\$ 10,123,952</u>	<u>\$ 9,262,285</u>	<u>\$ 861,667</u>	9.30 %

Extracurricular activities expenditures increased 25.60% while there were no capital outlay expenditures during fiscal year 2006. All other expenditures remained comparable to 2005.

***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 2006, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$10,179,993 and final budgeted revenues and other financing sources were \$9,779,889. Actual revenues and other financing sources for fiscal 2006 was \$9,771,385. This represents an \$8,504 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$11,129,618 were decreased to \$10,619,341 in the final appropriations. The actual budget basis expenditures for fiscal year 2006 totaled \$10,580,596, which was \$38,745 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2006, the District had \$2,155,242 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2006 balances compared to 2005:

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

	Governmental Activities	
	2006	2005
Land	\$ 450,809	\$ 450,809
Building and improvements	942,359	1,004,149
Furniture and equipment	324,602	323,314
Vehicles	437,472	493,856
Total	\$ 2,155,242	\$ 2,272,128

The overall decrease in capital assets of \$116,886 is due to depreciation of \$254,015 exceeding capital outlays of \$137,129 in the fiscal year.

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

*Debt Administration*

At June 30, 2006, the District had \$50,795 in capital lease obligations outstanding. Of this total, \$44,244 is due within one year and \$6,551 is due in greater than one year. The following table summarizes the capital lease obligations outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
Capital lease obligations	\$ 50,795	\$ 149,132
Total	\$ 50,795	\$ 149,132

At June 30, 2006, the District's overall legal debt margin was \$10,433,268, and an unvoted debt margin of \$115,925.

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



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**Current Financial Related Activities**

In March 2004, the voters of the Lakota Local School District voted in favor of a one percent income tax levy for the school district. This income tax is estimated to generate 1,065,000 dollars for the operation of the school district annually. Due to the passage of the income tax, the Lakota Board of Education will not seek to re-new the 5 mil emergency property tax that is due to expire at the end of 2006. This levy generated approximately 580,000 dollars annually for the school district.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's 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. Pamela Barber, 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, 2006

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . .	\$ 612,495
Receivables:	
Taxes . . . . .	3,655,253
Accounts . . . . .	1,328
Intergovernmental . . . . .	185,262
Prepayments. . . . .	51,468
Materials and supplies inventory . . . . .	2,014
Capital assets:	
Land . . . . .	450,809
Depreciable capital assets, net . . . . .	1,704,433
Capital assets, net . . . . .	2,155,242
 Total assets . . . . .	 6,663,062
 <b>Liabilities:</b>	
Accounts payable . . . . .	396,734
Accrued wages and benefits . . . . .	977,696
Pension obligation payable . . . . .	237,888
Intergovernmental payable . . . . .	42,010
Deferred revenue . . . . .	2,179,865
Claims payable . . . . .	13,322
Long-term liabilities:	
Due within one year. . . . .	82,150
Due in more than one year . . . . .	585,778
 Total liabilities . . . . .	 4,515,443
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	2,104,447
Restricted for:	
Locally funded programs. . . . .	40,609
State funded programs . . . . .	1,558
Federally funded programs. . . . .	78,682
Student activities. . . . .	5,855
Other purposes. . . . .	126,146
Unrestricted . . . . .	(209,678)
 Total net assets . . . . .	 \$ 2,147,619

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, 2006

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 5,176,090	\$ 113,487	\$ 107,361	\$ 38,887	\$ (4,916,355)
Special . . . . .	2,428,494	-	683,793	-	(1,744,701)
Vocational . . . . .	29,911	-	-	-	(29,911)
Other . . . . .	74,725	-	23,543	-	(51,182)
Support services:					
Pupil . . . . .	397,203	-	41,997	-	(355,206)
Instructional staff . . . . .	274,027	-	10,050	-	(263,977)
Board of education . . . . .	4,607	-	-	-	(4,607)
Administration . . . . .	857,819	-	17,417	-	(840,402)
Fiscal . . . . .	148,411	-	-	-	(148,411)
Business . . . . .	149,976	-	-	-	(149,976)
Operations and maintenance . . . . .	918,476	-	-	-	(918,476)
Pupil transportation . . . . .	802,371	-	10,728	-	(791,643)
Central . . . . .	29,380	-	4,786	-	(24,594)
Operation of non-instructional					
services . . . . .	21,969	-	28,400	-	6,431
Extracurricular activities . . . . .	312,185	83,254	-	-	(228,931)
Food service operations . . . . .	439,900	219,999	200,031	-	(19,870)
Interest and fiscal charges . . . . .	5,969	-	-	-	(5,969)
Total governmental activities . . . . .	<u>\$ 12,071,513</u>	<u>\$ 416,740</u>	<u>\$ 1,128,106</u>	<u>\$ 38,887</u>	<u>(10,487,780)</u>

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	3,146,058
School district income tax . . . . .	989,892
Grants and entitlements not restricted	
to specific programs . . . . .	5,550,652
Investment earnings . . . . .	45,804
Miscellaneous . . . . .	143,297
Total general revenues . . . . .	<u>9,875,703</u>
Change in net assets . . . . .	(612,077)
<b>Net assets at beginning of year . . . . .</b>	<u>2,759,696</u>
<b>Net assets at end of year . . . . .</b>	<u>\$ 2,147,619</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 216,891	\$ 261,780	\$ 478,671
Receivables:			
Taxes. . . . .	3,655,253	-	3,655,253
Accounts . . . . .	339	989	1,328
Intergovernmental . . . . .	-	185,262	185,262
Interfund loan receivable. . . . .	14,000	-	14,000
Prepayments . . . . .	51,468	-	51,468
Materials and supplies inventory . . . . .	-	2,014	2,014
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	126,146	-	126,146
Total assets . . . . .	\$ 4,064,097	\$ 450,045	\$ 4,514,142
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 382,000	\$ 11,574	\$ 393,574
Accrued wages and benefits . . . . .	844,198	133,498	977,696
Compensated absences payable . . . . .	15,344	-	15,344
Pension obligation payable. . . . .	175,401	62,487	237,888
Intergovernmental payable. . . . .	39,214	2,796	42,010
Interfund loan payable. . . . .	-	14,000	14,000
Deferred revenue . . . . .	2,801,660	-	2,801,660
Total liabilities . . . . .	4,257,817	224,355	4,482,172
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	287,555	25,794	313,349
Reserved for materials and supplies inventory. . . . .	-	2,014	2,014
Reserved for prepayments . . . . .	51,468	-	51,468
Reserved for property tax unavailable for appropriation . . . . .	307,331	-	307,331
Reserved for textbooks . . . . .	113,918	-	113,918
Reserved for school bus purchase. . . . .	12,228	-	12,228
Unreserved, undesignated (deficit), reported in:			
General fund. . . . .	(966,220)	-	(966,220)
Special revenue funds . . . . .	-	197,882	197,882
Total fund balances. . . . .	(193,720)	225,690	31,970
Total liabilities and fund balances . . . . .	\$ 4,064,097	\$ 450,045	\$ 4,514,142

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2006

<b>Total governmental fund balances</b>		\$	31,970
<i>Amounts reported for governmental activities in 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.			2,155,242
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	621,795	
Total			621,795
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.			(8,804)
Long-term liabilities, including capital lease obligation, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		601,789	
Capital lease obligation		50,795	
Total			(652,584)
<b>Net assets of governmental activities</b>		\$	2,147,619

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/(DEFICIT)  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 3,776,598	\$ -	\$ 3,776,598
Tuition . . . . .	113,487	-	113,487
Earnings on investments . . . . .	42,698	3,106	45,804
Charges for services . . . . .	-	219,999	219,999
Extracurricular . . . . .	-	83,254	83,254
Other local revenues . . . . .	92,595	47,418	140,013
Intergovernmental - Intermediate . . . . .	46,028	-	46,028
Intergovernmental - State . . . . .	5,504,624	158,070	5,662,694
Intergovernmental - Federal . . . . .	-	1,081,875	1,081,875
Total revenue . . . . .	<u>9,576,030</u>	<u>1,593,722</u>	<u>11,169,752</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	4,918,865	220,759	5,139,624
Special . . . . .	1,490,074	955,254	2,445,328
Vocational . . . . .	29,911	-	29,911
Other . . . . .	45,588	23,595	69,183
Support services:			
Pupil . . . . .	324,384	51,102	375,486
Instructional staff . . . . .	245,156	30,000	275,156
Board of education . . . . .	4,607	-	4,607
Administration . . . . .	801,678	44,469	846,147
Fiscal . . . . .	146,059	-	146,059
Business . . . . .	149,976	-	149,976
Operations and maintenance . . . . .	917,991	20,530	938,521
Pupil transportation . . . . .	726,052	12,447	738,499
Central . . . . .	14,323	15,057	29,380
Operation of non-instructional services . . . . .	109	21,860	21,969
Extracurricular activities . . . . .	202,873	78,496	281,369
Food service operations . . . . .	-	436,624	436,624
Facilities acquisition and construction . . . . .	2,000	-	2,000
Debt service:			
Principal retirement . . . . .	98,337	-	98,337
Interest and fiscal charges . . . . .	5,969	-	5,969
Total expenditures . . . . .	<u>10,123,952</u>	<u>1,910,193</u>	<u>12,034,145</u>
Deficiency of revenues under expenditures . . . . .	<u>(547,922)</u>	<u>(316,471)</u>	<u>(864,393)</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	196,200	196,200
Transfers (out) . . . . .	(231,200)	-	(231,200)
Total other financing sources (uses) . . . . .	<u>(231,200)</u>	<u>196,200</u>	<u>(35,000)</u>
Net change in fund balances . . . . .	(779,122)	(120,271)	(899,393)
<b>Fund balances at beginning of year . . . . .</b>	<u>585,402</u>	<u>345,961</u>	<u>931,363</u>
<b>Fund balances/(deficit) at end of year . . . . .</b>	<u>\$ (193,720)</u>	<u>\$ 225,690</u>	<u>\$ 31,970</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**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, 2006

<b>Net change in fund balances - total governmental funds</b>	\$	(899,393)
<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. Depreciation expense exceeds capital outlays in the current period accordingly.		
Capital asset additions	\$ 137,129	
Current year depreciation	<u>(254,015)</u>	(116,886)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property taxes	359,352	
Intergovernmental	<u>(69,668)</u>	289,684
 Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		98,337
 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.		
		(5,043)
 The internal service fund used by management to charge the costs of dental insurance to individual funds is not reported in the district-wide 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.		
		<u>21,224</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u><u>(612,077)</u></u></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, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 4,022,801	\$ 3,711,765	\$ 3,708,449	\$ (3,316)
Tuition . . . . .	101,540	113,589	113,487	(102)
Earnings on investments . . . . .	38,203	42,736	42,698	(38)
Other local revenues . . . . .	82,622	92,426	92,343	(83)
Intergovernmental - Intermediate . . . . .	41,182	46,069	46,028	(41)
Intergovernmental - State . . . . .	5,629,889	5,509,548	5,504,624	(4,924)
Total revenue . . . . .	<u>9,916,237</u>	<u>9,516,133</u>	<u>9,507,629</u>	<u>(8,504)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	5,235,007	4,983,928	4,983,928	-
Special . . . . .	1,506,520	1,434,265	1,395,620	38,645
Vocational . . . . .	39,616	37,716	37,716	-
Other . . . . .	47,563	45,282	45,282	-
Support services:				
Pupil . . . . .	331,090	315,210	315,210	-
Instructional staff . . . . .	260,768	248,260	248,260	-
Board of education . . . . .	12,273	11,684	11,684	-
Administration . . . . .	813,000	774,007	774,007	-
Fiscal . . . . .	145,524	138,544	138,544	-
Business . . . . .	175,228	166,824	166,824	-
Operations and maintenance . . . . .	1,091,898	1,039,529	1,039,529	-
Pupil transportation . . . . .	754,548	718,358	718,258	100
Central . . . . .	15,044	14,323	14,323	-
Extracurricular activities . . . . .	209,066	199,039	199,039	-
Facilities acquisition and construction . . . . .	2,101	2,000	2,000	-
Total expenditures . . . . .	<u>10,639,246</u>	<u>10,128,969</u>	<u>10,090,224</u>	<u>38,745</u>
Deficiency of revenues under expenditures . . . . .	<u>(723,009)</u>	<u>(612,836)</u>	<u>(582,595)</u>	<u>30,241</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	20,827	20,827	20,827	-
Transfers in . . . . .	242,929	242,929	242,929	-
Transfers (out) . . . . .	(476,372)	(476,372)	(476,372)	-
Advances (out) . . . . .	(14,000)	(14,000)	(14,000)	-
Total other financing sources (uses) . . . . .	<u>(226,616)</u>	<u>(226,616)</u>	<u>(226,616)</u>	<u>-</u>
Net change in fund balance . . . . .	(949,625)	(839,452)	(809,211)	30,241
<b>Fund balance at beginning of year . . . . .</b>	<b>547,992</b>	<b>547,992</b>	<b>547,992</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>293,514</b>	<b>293,514</b>	<b>293,514</b>	<b>-</b>
<b>Fund balance (deficit) at end of year . . . . .</b>	<b>\$ (108,119)</b>	<b>\$ 2,054</b>	<b>\$ 32,295</b>	<b>\$ 30,241</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS (DEFICIT)  
PROPRIETARY FUND  
JUNE 30, 2006

	<u><b>Governmental Activities - Internal Service Fund</b></u>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents. . . . .	\$ 7,678
Total current assets . . . . .	<u>7,678</u>
 Total assets . . . . .	 <u>7,678</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable. . . . .	3,160
Claims payable . . . . .	<u>13,322</u>
Total current liabilities . . . . .	<u>16,482</u>
 Total liabilities . . . . .	 <u>16,482</u>
<b>Net assets:</b>	
Unrestricted (deficit) . . . . .	<u>(8,804)</u>
 Total net assets (deficit) . . . . .	 <u>\$ (8,804)</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, 2006

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Sales/charges for services . . . . .	\$ 71,173
Total operating revenues . . . . .	<u>71,173</u>
 <b>Operating expenses:</b>	
Purchased services. . . . .	2,500
Claims expense. . . . .	82,449
Total operating expenses . . . . .	<u>84,949</u>
 Operating loss. . . . .	 (13,776)
Transfer in . . . . .	 35,000
 Change in net assets. . . . .	 21,224
 <b>Net assets (deficit) at beginning of year . . . . .</b>	 <u>(30,028)</u>
<b>Net assets (deficit) at end of year . . . . .</b>	<u>\$ (8,804)</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, 2006

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from sales/charges for services . . . . .	\$ 71,477
Cash payments for purchased services. . . . .	(6,480)
Cash payments for claims . . . . .	(81,906)
	(16,909)
Net cash used in operating activities . . . . .	(16,909)
<b>Cash flows from noncapital financing activities:</b>	
Cash received from transfers in . . . . .	35,000
Cash payments to other funds . . . . .	(10,413)
	24,587
Net cash provided by noncapital financing activities. . . . .	24,587
Net increase in cash and cash equivalents. . . . .	7,678
<b>Cash and cash equivalents at beginning of year . . .</b>	<b>-</b>
<b>Cash and cash equivalents at end of year. . . . .</b>	<b>\$ 7,678</b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss . . . . .	\$ (13,776)
Changes in assets and liabilities:	
Decrease in accounts receivable . . . . .	304
Decrease in accounts payable . . . . .	(3,980)
Increase in claims payable. . . . .	543
	(3,133)
Net cash used in operating activities . . . . .	<b>\$ (16,909)</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, 2006

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 15,143	\$ 33,914
Total assets. . . . .	15,143	\$ 33,914
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 1,497
Due to students . . . . .	-	32,417
Total liabilities . . . . .	-	\$ 33,914
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	15,143	
Total net assets . . . . .	\$ 15,143	

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, 2006

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 1,260
Gifts and contributions. . . . .	153
Total additions. . . . .	1,413
<b>Deductions:</b>	
Scholarships awarded . . . . .	3,917
Change in net assets . . . . .	(2,504)
<b>Net assets at beginning of year . . . . .</b>	<b>17,647</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 15,143</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**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 467<sup>th</sup> largest by enrollment among the 615 public school districts in Ohio and the third largest in Sandusky County. It is staffed by 80 non-certificated employees and 94 certificated full-time teaching personnel, who provide services to 1,099 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, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. 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, foods 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 organizations' government 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. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

*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 \$44,424 to NOECA in fiscal year 2006 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 district's elected board. The Career Center possesses its own budgeting and taxing authority. Financial information is available from the 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. The following is the District's major governmental fund:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; (c) for grants and other resources whose use is restricted to a particular purpose; and (d) 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.

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.

**LAKOTA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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 revenues of the District's internal service fund is charges for sales and services. Operating expenses for internal service fund includes the cost of claims and administrative expenses. 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.

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

**LAKOTA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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 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.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair 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. Allocation 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 2006 is as follows:

1. Prior to January 15 of the preceding year, 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 expressed 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

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 June 30, 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 is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate 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 Amended Certificates issued for fiscal year 2006.
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.
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, 2006. 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 in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

During fiscal year 2006, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and a repurchase agreement. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

The District has invested funds in STAR Ohio during fiscal 2006. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2006.

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 2006 amounted to \$42,698, which includes \$39,526 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.

**G. Inventory**

On government-wide and fund financial statements, inventories are presented at the lower of cost or market 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 \$500. 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.

**LAKOTA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

All reported capital assets except land 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 “interfund loan receivable/payable.” 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 severance 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.

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. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2006, 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 severance 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 severance payments has been calculated using pay rates in effect at June 30, 2006, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

**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, compensated absences, and contractually required pension contributions 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.

**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, prepayments, property tax revenue unavailable for appropriation, textbooks and school bus purchase. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

**M. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the employee self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund

**N. 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 adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2006, there were no net assets restricted by enabling legislation.



**LAKOTA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

**O. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**P. 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.

**Q. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a textbook reserve and school bus purchase reserve. These reserves are required by state statute. A schedule of statutory reserves is presented in Note 16.

**R. 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.

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2006.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Changes in Accounting Principles**

For fiscal year 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 42, GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the District as previously reported at June 30, 2005.

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

Fund balances at June 30, 2006 included the following individual fund deficits:

General Fund	<u>Deficit</u> \$ 193,720
<u>Nonmajor Governmental Funds</u>	
Auxiliary Services	235
EMIS	7
Poverty Aid	52
Title VI - B	5,760
Drug - Free Schools	26
Improving Teacher Quality	16,995
<u>Internal Service Fund</u>	
Dental Self-Insurance	8,804

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

**LAKOTA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
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,

**LAKOTA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

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

**A. Cash on Hand**

At year-end, the District had \$2,000 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, 2006, the carrying amount of all District deposits was \$(82,671), exclusive of \$480,099 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, 2006, the District's bank balance of \$23,464 was covered by Federal Deposit Insurance Corporation.

**C. Investments**

As of June 30, 2006, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 262,124	\$ 262,124
Repurchase Agreement	480,099	480,099
	<u>\$ 742,223</u>	<u>\$ 742,223</u>

*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.

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

**LAKOTA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

*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 investment or collateral securities that are in the possession of an outside party. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the District.

*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, 2006

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 262,124	35.32
Repurchase Agreement	480,099	64.68
	<u>\$ 742,223</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2006:

<u>Cash and Investments per footnote</u>		
Carrying amount of deposits	\$	(82,671)
Investments		742,223
Cash on hand		2,000
Total	<u>\$</u>	<u>661,552</u>
 <u>Cash and investments per Statement of Net Assets</u>		
Governmental activities	\$	612,495
Private-purpose trust fund		15,143
Agency fund		33,914
Total	<u>\$</u>	<u>661,552</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund transfers for the year ended June 30, 2006 as reported on the fund statements, consist of the following individual interfund loan receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 14,000

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. All interfund balances are expected to be repaid within one year.

**LAKOTA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2006 are reported on the Statement of Net Assets.

- B.** Interfund transfers for the year ended June 30, 2006, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Transfers to Nonmajor Governmental funds from:	
General Fund	\$ 196,200
Transfers to internal service fund from:	
General fund	35,000

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to 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 on the government-wide financial statements; therefore, no transfers are reported on the 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, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**LAKOTA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2006, on the value as of December 31, 2005. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. 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 County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date 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, 2006 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 deferred revenue.

The amount available as an advance at June 30, 2006 was \$307,331 general fund. This amount has been recorded as revenue. The amount that was available as an advance at June 30, 2005 was \$426,280 in the general fund.

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

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 102,089,650	88.28	\$ 104,046,038	89.75
Public utility personal	8,143,840	7.04	7,408,070	6.39
Tangible personal property	<u>5,408,856</u>	<u>4.68</u>	<u>4,471,096</u>	<u>3.86</u>
Total	<u>\$ 115,642,346</u>	<u>100.00</u>	<u>\$ 115,925,204</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$41.45		\$41.50	

**LAKOTA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2006 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental Activities:**

Property taxes	\$ 3,108,991
School district income taxes	546,262
Accounts	1,328
Intergovernmental	<u>185,262</u>
Total	<u>\$ 3,841,843</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance <u>07/01/05</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/06</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 450,809	\$ -	\$ -	\$ 450,809
Total capital assets, not being depreciated	<u>450,809</u>	<u>-</u>	<u>-</u>	<u>450,809</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	1,127,922	76,629	-	1,204,551
Vehicles	<u>1,439,425</u>	<u>60,500</u>	<u>-</u>	<u>1,499,925</u>
Total capital assets, being depreciated	<u>6,787,969</u>	<u>137,129</u>	<u>-</u>	<u>6,925,098</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(90,160)	-	-	(90,160)
Buildings and improvements	(3,126,313)	(61,790)	-	(3,188,103)
Furniture and equipment	(804,608)	(75,341)	-	(879,949)
Vehicles	<u>(945,569)</u>	<u>(116,884)</u>	<u>-</u>	<u>(1,062,453)</u>
Total accumulated depreciation	<u>(4,966,650)</u>	<u>(254,015)</u>	<u>-</u>	<u>(5,220,665)</u>
Governmental activities capital assets, net	<u>\$ 2,272,128</u>	<u>\$ (116,886)</u>	<u>\$ -</u>	<u>\$ 2,155,242</u>



**LAKOTA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 53,525
Special	3,835
Other	5,482
<u>Support Services:</u>	
Pupil	19,876
Instructional staff	44
Administration	6,966
Operations and maintenance	8,299
Pupil transportation	122,758
Extracurricular activities	30,756
Food service operations	<u>2,474</u>
Total depreciation expense	<u>\$ 254,015</u>

**NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE**

In prior years, the District entered into capitalized leases for copier equipment. During fiscal 2004, the District entered into a capitalized lease for weight equipment. These lease agreements meet the criteria of capital lease as defined by FASB Statement No. 13, “Accounting for Leases”, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as general fund expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$328,179. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2006 totaled \$98,337 paid by the general fund. Accumulated depreciation as of June 30, 2006 was \$229,725, leaving a current book value of \$98,454.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2006:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2007	\$ 45,991
2008	<u>6,638</u>
Total minimum lease payments	52,629
Less amount representing interest	<u>(1,834)</u>
Total	<u>\$ 50,795</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 10 - LONG-TERM OBLIGATIONS**

- A. During fiscal year 2006, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/05</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/06</u>	Amounts Due in <u>One Year</u>
<b>Governmental Activities:</b>					
Capital lease obligation	\$ 149,132	\$ -	\$ (98,337)	\$ 50,795	\$ 44,244
Compensated absences	<u>598,149</u>	<u>39,762</u>	<u>(20,778)</u>	<u>617,133</u>	<u>37,906</u>
Total long-term obligations, governmental activities	<u>\$ 747,281</u>	<u>\$ 39,762</u>	<u>\$ (119,115)</u>	<u>\$ 667,928</u>	<u>\$ 82,150</u>

**B. 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 further provides that unvoted indebtedness for energy conservation measures shall not exceed 9/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2006 are a voted debt margin of \$10,433,268 an unvoted debt margin of \$115,925.

**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 2006, 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)	\$33,801,067
Inland marine coverage (\$1,000 deductible)	680,000
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	1,000,000
Total per year	3,000,000

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.

**LAKOTA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

**B. Workers’ Compensation Plan**

For fiscal year 2006, 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 \$1,073.51 and for single is \$408.16. The Board pays 90% 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.

**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 \$19.43 for single coverage and \$44.42 for 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 \$13,322 reported in the internal service fund at June 30, 2006 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 2006 and 2005 are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2006	\$ 12,779	\$ 82,449	\$ (81,906)	\$ 13,322
2005	5,717	89,029	(81,967)	12,779

**LAKOTA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

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 or by calling (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

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 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 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, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2006, 2005, and 2004 were \$179,121, \$152,787, and \$121,252; 47.50 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$94,038 represents the unpaid contribution of fiscal year 2006.

**B. State Teachers Retirement System**

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**LAKOTA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

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

For the fiscal year ended June 30, 2006, 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 recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for fund pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$508,456, \$483,953 and \$480,664; 82.41 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$89,444 represents the unpaid contribution for fiscal year 2006. Contributions to the DC and Combined Plans for fiscal year 2006 were \$9,472 made by the District and \$19,147 made by the plan members.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$39,112 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$254.780 million and STRS had 115,395 eligible benefit recipients.

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

**LAKOTA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 1.13 percent from fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$55,964 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178.221 million. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168 percent of next years projected net health care costs of \$158.776 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 58,123 participants currently receiving health care benefits.

**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 Revenue, 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).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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>
Budget basis	\$ (809,211)
Net adjustment for revenue accruals	68,401
Net adjustment for expenditure accruals	(344,470)
Net adjustment for other sources/uses	(4,584)
Adjustment for encumbrances	<u>310,742</u>
GAAP basis	<u><u>\$ (779,122)</u></u>

**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, 2006, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside cash balance as of June 30, 2005	\$ 91,672	\$ -	\$ 47,190
Current year set-aside requirement	145,530	145,530	-
Qualifying disbursements	<u>(123,284)</u>	<u>(150,963)</u>	<u>(47,190)</u>
Total	<u>\$ 113,918</u>	<u>\$ (5,433)</u>	<u>\$ -</u>
Cash balance carried forward to FY 2007	<u>\$ 113,918</u>	<u>\$ -</u>	<u>\$ -</u>

**LAKOTA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

The District is still required by state law to maintain the textbook reserve and the capital acquisition reserve.

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases.

A schedule of the governmental fund restricted assets at June 30, 2006 follows:

Amount restricted for textbooks	\$113,918
Amount restricted for school bus purchases	<u>12,228</u>
Total restricted assets	<u>\$126,146</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. 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 \$989,892 for fiscal year 2006.



## **SUPPLEMENTAL DATA**

**LAKOTA LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
<b>U. S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>						
<i>Nutrition Cluster:</i>						
(A), (B) Food Donation	10.550	N/A	\$ -	\$ 34,073	\$ -	\$ 34,073
(A), (C) School Breakfast Program	10.553	049569-05-PU-2005	1,697	-	1,697	-
(A), (C) School Breakfast Program	10.553	049569-06-PU-2006	9,949	-	9,949	-
(A), (C) National School Lunch Program	10.555	049569-LL-P4-2005	40,539	-	40,539	-
(A), (C) National School Lunch Program	10.555	049569-LL-P4-2006	105,999	-	105,999	-
<b>Total U.S. Department of Agriculture and Nutrition Cluster</b>			<u>158,184</u>	<u>34,073</u>	<u>158,184</u>	<u>34,073</u>
<b>U. S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>						
Special Education Grants to States	84.027	049569-6B-SF-2004	-		63,044	
Special Education Grants to States	84.027	049569-6B-SF-2005	23,512		171,499	
Special Education Grants to States	84.027	049569-6B-SF-2006	364,633		317,440	
Special Education Grants to States	84.027	049569-6B-SD-2006	30,000		27,103	
<b>Total Special Education- Grants to States</b>			<u>418,145</u>		<u>579,086</u>	
Title I- Grants to Local Education Agencies	84.010	049269-C1-S1-2004	-		32,255	
(E) Title I- Grants to Local Education Agencies	84.010	049269-C1-S1-2005	(21,368)		5,566	
Title I- Grants to Local Education Agencies	84.010	049269-C1-S1-2006	231,378		221,290	
<b>Total Title I- Grants to Local Education Agencies</b>			<u>210,010</u>		<u>259,111</u>	
Migrant Education State Grant Program	84.011	049569-MG-S1-2005	92,079		103,051	
Migrant Education State Grant Program	84.011	049569-MG-S1-2006	19,620		19,442	
<b>Total Migrant Education State Grant Program</b>			<u>111,699</u>		<u>122,493</u>	
Safe and Drug Free Schools and Communities- State Grants	84.186	049569-DR-S1-2004	-		1,312	
Safe and Drug Free Schools and Communities- State Grants	84.186	049569-DR-S1-2005	2,010		4,993	
Safe and Drug Free Schools and Communities- State Grants	84.186	049569-DR-S1-2006	7,804		7,804	
<b>Total Safe and Drug Free Schools and Communities-State Grants</b>			<u>9,814</u>		<u>14,109</u>	
State Grants for Innovative Programs	84.298	049569-C2-S1-2004	-		27	
State Grants for Innovative Programs	84.298	049569-C2-S1-2005	686		1,644	
State Grants for Innovative Programs	84.298	049569-C2-S1-2005	3,285		3,285	
<b>Total State Grants for Innovative Programs</b>			<u>3,971</u>		<u>4,956</u>	
(F) Education Technology State Grant	84.318	049569-TJ-S1-2005	(7,065)		13,335	
Education Technology State Grant	84.318	049569-TJ-S1-2006	67,056		67,056	
<b>Total Education Technology State Grant:</b>			<u>59,991</u>		<u>80,391</u>	
Improving Teacher Quality State Grants	84.367	049569-TR-S1-2004	-		3,997	
(G) Improving Teacher Quality State Grants	84.367	049569-TR-S1-2005	(5,968)		3,218	
Improving Teacher Quality State Grants	84.367	049569-TR-S1-2006	10,789		9,255	
<b>Total Improving Teacher Quality State Grants</b>			<u>4,821</u>		<u>16,470</u>	
<b>Total U. S. Department of Education</b>			<u>818,451</u>		<u>1,076,616</u>	
<b>Total Federal Financial Assistance</b>			<u>\$ 976,635</u>	<u>\$ 34,073</u>	<u>\$ 1,234,800</u>	<u>\$ 34,073</u>

- (A) Included as part of the "Nutrition Grant Cluster" in determining major programs
- (B) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in first-out basis
- (D) This schedule was prepared on the cash basis of accounting.
- (E) Amount of \$61,005 carried over to fiscal year 2006 grant based on Ohio Department of Education administrative action.
- (F) Amount of \$7,065 carried over to fiscal year 2006 grant based on Ohio Department of Education administrative action.
- (G) Amount of \$6,030 carried over to fiscal year 2006 grant based on Ohio Department of Education administrative action.



## **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, its major fund, and the aggregate remaining fund information of the Lakota Local School District as of and for the fiscal year ended June 30, 2006, which collectively comprise the Lakota Local School District's basic financial statements and have issued our report thereon dated December 4, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Lakota Local School District in a separate letter dated December 4, 2006.

Board of Education  
Lakota Local School District

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to management of Lakota Local School District in a separate letter dated December 4, 2006.

This report is intended solely for the information of the Board and management of the Lakota Local School District, 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.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." The signature is written in black ink and is positioned above the printed name of the firm.

Julian & Grube, Inc.  
December 4, 2006



**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 Federal 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 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 of its major federal programs for the fiscal year ended June 30, 2006. Lakota Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs 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 of America; 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 on Lakota Local School District's compliance with those requirements.

Board of Education  
Lakota Local School District

In our opinion, Lakota Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2006.

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 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended solely for the information of the Board of Education and management of the Lakota Local School District, 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.  
December 4, 2006

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2006**

<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 weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for 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>	No
<i>(d)(1)(vii)</i>	<i>Major Programs:</i>	Title I-Grants to Local Education Agencies: CFDA # 84.010; Special Education Grants to States CFDA #84.027
<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  
*OMB CIRCULAR A-133 § .505*  
JUNE 30, 2006**

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

None.

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

None.



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

**STATUS OF PRIOR AUDIT FINDING  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2006**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected?</u></b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></b>
2005-LLSD-001	Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed estimated resources.	No	Partially Corrected. Moved to Management Letter
2005-LLSD-002	Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.	Yes	N/A
2005-LLSD-003	Ohio Revised Code Section 5705.10 in part requires that money paid into any fund shall be expended only after such fund receives monies.	Yes	N/A





**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  
FEBRUARY 22, 2007**