

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

***GENERAL PURPOSE FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2001***

C.G. UEBEL, TREASURER



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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Board of Education
Lakota Local School District
356 Union Street, P.O. Box 5
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We have reviewed the Independent Auditor's Report of the Lakota Local School District, Sandusky County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 2000 through June 30, 2001. 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.

JIM PETRO
Auditor of State

January 2, 2002

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

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TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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Independent Auditor's Report

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

We have audited the accompanying general purpose financial statements of the Lakota Local School District, Sandusky County, (the "District"), as of and for the fiscal year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Lakota Local School District, Sandusky County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust 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 6, 2001, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying schedule of 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 general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Trimble, Julian & Grube, Inc.
December 6, 2001

LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types		Account Groups		Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations		
									General	
ASSETS AND OTHER DEBITS										
ASSETS:										
Equity in pooled cash and cash equivalents	\$1,618,792	\$153,653	\$131,494	\$222,517	\$22,686	\$33,522				\$2,182,664
Equity in pooled cash and cash equivalents - nonexpendable trust fund						12,714				12,714
Receivables (net of allowances of uncollectibles):										
Property taxes - current & delinquent	3,206,394									3,206,394
Accounts	409									409
Due from other governments		40,737	3,187	13,515	8,318					57,439
Due from other funds										8,318
Prepayments	2,450									2,450
Materials and supplies inventory				1,883						1,883
Restricted assets:										
Equity in pooled cash and cash equivalents	138,947									138,947
Property, plant and equipment (net of accumulated depreciation where applicable)				27,530				\$7,259,661		7,287,191
OTHER DEBITS:										
Amount to be provided for retirement of General Long-Term Obligations									\$681,280	681,280
Total assets and other debits	\$4,966,992	\$194,390	\$134,681	\$265,445	\$31,004	\$46,236		\$7,259,661	\$681,280	\$13,579,689

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types		Account Groups			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Assets	Fixed Assets	General Long-Term Obligations		
LIABILITIES, EQUITY AND OTHER CREDITS											
LIABILITIES:											
Accounts payable	\$15,251	\$1,894	\$20,725		\$348						\$38,218
Accrued wages and benefits	695,937	1,038		\$21,937							718,912
Compensated absences payable	20,790			13,034					\$584,981		618,805
Claims payable					5,798						5,798
Pension obligation payable	108,280			17,673					83,931		209,884
Deferred revenue	2,619,468			584	8,318						2,628,370
Due to students						\$26,516					26,516
Due to other funds	7,908			410							8,318
Due to other governments	61,444										61,444
Obligation under capital lease									12,368		12,368
Total liabilities	3,529,078	2,932	20,725	53,638	14,464	26,516	681,280	7,259,661	681,280	4,328,633	4,328,633
EQUITY AND OTHER CREDITS:											
Investment in general fixed assets								\$7,259,661			7,259,661
Retained earnings: unreserved				211,807	16,540						228,347
Fund balances:											
Reserved for encumbrances	338,398	11,024	77								349,499
Reserved for prepayments	2,450										2,450
Reserved for tax revenue unavailable for appropriation	586,926										586,926
Reserved for principal endowment						7,500					7,500
Reserved for scholarships						12,220					12,220
Reserved for instructional materials	91,757										91,757
Reserved for BWC	47,190										47,190
Unreserved-undesignated	371,193	180,434	113,879								665,506
Total equity and other credits	1,437,914	191,458	113,956	211,807	16,540	19,720	7,259,661	7,259,661	681,280	9,251,056	9,251,056
Total liabilities, equity and other credits	\$4,966,992	\$194,390	\$134,681	\$265,445	\$31,004	\$46,236	\$7,259,661	\$7,259,661	\$681,280	\$13,579,689	\$13,579,689

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR FISCAL YEAR ENDED JUNE 30, 2001

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Revenues:					
From local sources:					
Taxes	\$3,129,541				\$3,129,541
Tuition	5,031				5,031
Earnings on investments	104,840	\$2,827		\$225	107,892
Other local revenues	187,423	105,402	\$26,775		319,600
Other revenues	144,791			2,160	146,951
Intergovernmental - State	5,314,835	137,737	67,000		5,519,572
Intergovernmental - Federal		468,880			468,880
Total revenues	8,886,461	714,846	93,775	2,385	9,697,467
Expenditures:					
Current:					
Instruction:					
Regular	3,558,601	52,601	72,280		3,683,482
Special	1,080,595	268,021			1,348,616
Vocational	2,140				2,140
Other	672,306				672,306
Support services:					
Pupil	284,170	27,248		550	311,968
Instructional staff	148,391				148,391
Board of Education	25,951	16,480			42,431
Administration	751,265	61,092			812,357
Fiscal	192,832	4,073			196,905
Business	64,259	2,499			66,758
Operations and maintenance	762,915	57,090	68,733		888,738
Pupil transportation	682,186	25,624			707,810
Central		1,420			1,420
Community services		31,876			31,876
Extracurricular activities	169,562	84,741			254,303
Debt service:					
Principal retirement	8,976				8,976
Interest and fiscal charges	1,500				1,500
Total expenditures	8,405,649	632,765	141,013	550	9,179,977
Excess of revenues over/ (under) expenditures	480,812	82,081	(47,238)	1,835	517,490
Fund balance, July 1 (Restated)	917,423	109,377	161,194	5,171	1,193,165
Residual equity transfer in	39,679				39,679
Fund balance, June 30	\$1,437,914	\$191,458	\$113,956	\$7,006	\$1,750,334

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR FISCAL YEAR ENDED JUNE 30, 2001

	General			Special Revenue			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Revenues:												
From local sources:												
Taxes.....	\$2,779,026	\$2,856,115	\$77,089									
Earnings on investments.....	101,840	104,840	3,000									
Other local revenues.....	197,081	186,874	(10,207)									
Other revenues.....	139,892	144,791	4,899									
Intergovernmental - State.....	5,125,273	5,315,985	190,712									
Intergovernmental - Federal.....												
Total revenues.....	8,343,112	8,608,605	265,493	675,403	674,109	(1,294)	89,903	90,588	685	9,108,418	9,373,302	264,884
Expenditures:												
Current:												
Instruction:												
Regular.....	3,252,495	3,429,643	(177,148)	54,123	52,592	1,531	94,365	72,357	22,008	3,400,983	3,554,592	(153,609)
Special.....	1,192,861	1,090,535	102,326	401,064	303,140	97,924				1,593,925	1,393,675	200,250
Vocational.....	2,500	2,140	360							2,500	2,140	360
Other.....	666,678	674,393	(7,715)							666,678	674,393	(7,715)
Support services:												
Pupil.....	312,349	275,915	36,434	67,408	30,093	37,315				379,757	306,008	73,749
Instructional staff.....	194,376	149,300	45,076							194,376	149,300	45,076
Board of Education.....	141,748	145,391	(3,643)	16,500	16,480	20				158,248	161,871	(3,623)
Administration.....	799,279	766,129	33,150	108,024	66,490	41,534				907,303	832,619	74,684
Fiscal.....	202,686	190,149	12,537	4,149	4,073	76				206,835	194,222	12,613
Business.....	72,800	69,922	2,878	70,027	2,499	(499)				74,800	72,421	2,379
Operations and maintenance.....	833,624	784,231	49,393	53,095	57,624	12,403	81,838	74,993	6,845	985,489	916,848	68,641
Pupil transportation.....	875,151	842,201	32,950	52	26,897	26,198				928,246	869,098	59,148
Central.....				52	1,420	(1,368)				52	1,420	(1,368)
Community services.....				41,122	32,883	8,239				41,122	32,883	8,239
Extracurricular activities.....				111,799	92,115	19,684				279,725	260,023	19,702
Total expenditures.....	8,714,473	8,587,857	126,616	929,363	686,306	243,057	176,203	147,350	28,853	9,820,039	9,421,513	398,526
Excess of revenues over (under) expenditures.....	(371,361)	20,748	392,109	(253,960)	(12,197)	241,763	(86,300)	(56,762)	29,538	(711,621)	(48,211)	663,410
Other financing sources (uses):												
Refund of prior year's expenditures.....	141	141	0							141	141	0
Operating transfers in.....	60,725	725	(60,000)							60,725	725	(60,000)
Operating transfers (out).....	(125,000)	(725)	124,275							(125,000)	(725)	124,275
Advances in.....	112,774	116,774	4,000							112,774	116,774	4,000
Advances (out).....	(12,936)	(113,839)	(100,903)	(2,935)	(2,935)	0				(15,871)	(116,774)	(100,903)
Pass-through.....	(65,000)	0	65,000							(65,000)	0	65,000
Total other financing sources (uses).....	(29,296)	3,076	32,372	(2,935)	(2,935)	0				(32,231)	141	32,372
Excess of revenues and other financing sources over (under) expenditures and other financing (uses):	(400,657)	23,824	424,481	(256,895)	(15,132)	241,763	(86,300)	(56,762)	29,538	(743,852)	(48,070)	695,782
Fund balances, July 1.....	933,246	933,246	0	138,500	138,500	0	127,037	127,037	0	1,198,783	1,198,783	0
Prior year encumbrances appropriated.....	390,116	390,116	0	17,264	17,264	0	40,417	40,417	0	447,797	447,797	0
Fund balances, June 30.....	\$922,705	\$1,347,186	\$424,481	(\$101,131)	\$140,632	\$241,763	\$81,154	\$110,692	\$29,538	\$902,728	\$1,598,510	\$695,782

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR FISCAL YEAR ENDED JUNE 30, 2001

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Operating revenues:				
Sales/charges for services	\$236,387	\$68,101		\$304,488
Investment earnings			\$1,137	1,137
Total operating revenues	236,387	68,101	1,137	305,625
Operating expenses:				
Personal services	163,827		4,732	168,559
Contract services	20,010	348		20,358
Materials and supplies	197,955			197,955
Depreciation	6,124			6,124
Claims expense		67,395		67,395
Total operating expenses	387,916	67,743	4,732	460,391
Operating income (loss)	(151,529)	358	(3,595)	(154,766)
Nonoperating revenues (expenses):				
Operating grants	119,004			119,004
Federal commodities	35,229			35,229
Interest revenue	13,637			13,637
Total nonoperating revenues	167,870			167,870
Net income (loss)	16,341	358	(3,595)	13,104
Retained earnings/fund balance July 1	235,145	16,182	16,309	267,636
Residual equity transfer out	(39,679)			(39,679)
Retained earnings/fund balance June 30	<u>\$211,807</u>	<u>\$16,540</u>	<u>\$12,714</u>	<u>\$241,061</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO
STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR FISCAL YEAR ENDED JUNE 30, 2001

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Cash flows from operating activities:				
Cash received from sales/service charges	\$236,387	\$68,101		\$304,488
Cash received from other operations				0
Cash payments for personal services	(158,225)		(\$4,732)	(162,957)
Cash payments for contract services	(20,010)			(20,010)
Cash payments supplies and materials	(170,384)			(170,384)
Cash payments for claims expenses		(64,702)		(64,702)
Net cash provided by (used in) operating activities.	<u>(112,232)</u>	<u>3,399</u>	<u>(4,732)</u>	<u>(113,565)</u>
Cash flows from noncapital financing activities:				
Cash received from operating grants	121,234			121,234
Residual equity transfer out	(39,679)			(39,679)
Net cash provided by noncapital financing activities.	<u>81,555</u>			<u>81,555</u>
Cash flows from investing activities:				
Interest received	13,637		1,137	14,774
Net cash provided by investing activities.	<u>13,637</u>		<u>1,137</u>	<u>14,774</u>
Net increase (decrease) in cash and cash equivalents.	(17,040)	3,399	(3,595)	(17,236)
Cash and cash equivalents at beginning of year	239,557	19,287	16,309	275,153
Cash and cash equivalents at end of year	<u>\$222,517</u>	<u>\$22,686</u>	<u>\$12,714</u>	<u>\$257,917</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss).	(\$151,529)	\$358	(\$3,595)	(\$154,766)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	6,124			6,124
Federal donated commodities	35,229			35,229
Interest reported as operating income			(1,137)	(1,137)
Changes in assets and liabilities:				
Decrease in supplies inventory	336			336
Decrease in due from other funds.		820		820
Increase (Decrease) in accounts payable	(7,837)	348		(7,489)
Increase in accrued wages & benefits.	2,105			2,105
Increase in compensated absences payable	2,175			2,175
Increase in pension obligation payable	912			912
Increase in claims payable		2,693		2,693
Increase in due to other funds.	410			410
Decrease in deferred revenue	(157)	(820)		(977)
Net cash provided by (used in) operating activities.	<u>(\$112,232)</u>	<u>\$3,399</u>	<u>(\$4,732)</u>	<u>(113,565)</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 1 - DESCRIPTION OF THE DISTRICT

The Lakota Local 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 415th largest by enrollment among the 682 public and community Districts in Ohio and the third largest in Sandusky County. It is staffed by 72 non-certificated employees and 96 certificated full-time teaching personnel, who provide services to 1,333 students and other community members. The District currently operates five instructional buildings and 1 garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the 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, food service, and student related activities.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or 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 for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

JOINTLY GOVERNED ORGANIZATIONS:

Northern Ohio Educational Computer Association - The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of public Districts within the boundaries of Erie, Huron, Ottawa, Sandusky, and Seneca Counties and Cities of Fremont, Huron, Sandusky, Norwalk, Bellevue, Port Clinton, Fostoria, and Tiffin. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member Districts. The superintendent of each district is on the Board of Trustees. Financial information is available from Betty Schwiefert, who serves as controller, at 2900 Columbus Avenue, Sandusky, Ohio 44870.

Vanguard-Sentinel Joint Vocational School - The Vanguard-Sentinel Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio. The JVS is operated under the direction of a Board of Education, which consists of one representative from each of the JVS's participating district's elected board. The JVS possesses its own budgeting and taxing authority. Financial information is available from the Vanguard-Sentinel Joint Vocational School, at 1306 Cedar Street, Fremont, Ohio 43420.

The District is also a participant in a public entity risk sharing pool, discussed in Note 11.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

B. Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories Governmental, Proprietary, and Fiduciary.

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in Proprietary funds and trust funds) are accounted for through Governmental funds. The following are the District's Governmental Fund Types:

General Fund - The General Fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred in accordance with applicable Ohio statute.

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

Capital Projects Funds - The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary funds or trust funds).

PROPRIETARY FUND TYPES

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the District's Proprietary Fund Types:

Enterprise Funds - Enterprise Funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds - The Internal Service Funds are 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 governmental units, on a cost-reimbursement basis.

FIDUCIARY FUND TYPES

Trust and Agency Funds - These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds include an Expendable Trust Fund, a Nonexpendable Trust Fund, and an Agency Fund. The Expendable Trust Fund is accounted for in essentially the same manner as Governmental funds. The Nonexpendable Trust Fund is accounted for in essentially the same manner as Proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency Fund is presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. There were no Agency Fund accruals at June 30, 2001.

**LAKOTA LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the District, other than those accounted for in the Proprietary or Nonexpendable Trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the District except those accounted for in the Proprietary or Nonexpendable Trust funds.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental funds and the Expendable Trust Fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All Proprietary funds and the Nonexpendable Trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary and Nonexpendable Trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

**LAKOTA LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

The modified accrual basis of accounting is followed for Governmental and Expendable Trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2001, but which are intended to finance fiscal 2002 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2001, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligations principal and interest are reported only when due; however; the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in Governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the Proprietary funds and the Nonexpendable Trust fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The Proprietary funds receive no revenue from property taxes.

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2001 is as follows:

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

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.
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 amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2001.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, first digit function and first digit object level of expenditures for the General fund; all other funds' appropriations are legally enacted at the fund level. Thus, the District has created two separate legal levels 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 and encumbrances may not exceed the appropriation totals.
5. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Short-term interest loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

6. Any revisions that alter the total of any fund appropriation (all other funds other than the General fund) or alter first digit function appropriations within a fund, or alter first digit object appropriations within functions (General fund only) must be approved by the Board of Education.
7. 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. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation, except as reported in Note 3.
8. Appropriation 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.
9. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, first digit function and/or first digit object level within the General fund and at the fund level for all other funds.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting and Note 12 provides disclosure of the encumbrances outstanding for Enterprise funds at fiscal year end.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including Proprietary 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" (both unrestricted and restricted) on the combined balance sheet.

During 2001, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), and repurchase agreements.

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.

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, 2001.

The District assigns all investment earnings to the General Fund, except those specifically related to the Auxiliary Services Fund, Endowment Fund, and the Food Service Fund. Interest revenue credited to the General fund during fiscal 2001 totaled \$104,840 which included \$18,794 assigned from other funds to the District.

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

F. Inventory

Inventories of Proprietary funds are stated at the lower of cost or market and cost is determined on a first-in, first-out basis. Inventories consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

G. Prepayments

Prepayments for Governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period end, because prepayments are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. 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 capitalized, nor is interest on debt issued to construct or acquire general fixed assets. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Asset Account Group.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

2. Proprietary Funds and Non-Expendable Trust Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

Asset	Life (years)
Furniture, Fixtures and Equipment	5 - 20

I. Intergovernmental Revenues

For Governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for Proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

The District currently participates in several state and federal programs, categorized as follows:

Entitlements

General Fund
State Foundation Program
State Property Tax Relief
School Bus Purchase Allocation

Special Revenue Fund
Disadvantaged Pupil Impact Aid

Non-Reimbursable Grants

Special Revenue Funds
Venture Capital
Auxiliary Services
Local Professional Development
Education Management Information Systems
Conflict Management
Wildlife Diversity
Summer Migrant
Education for Economic Security Act
Class Size Reduction
Title I
Title VI

Non-Reimbursable Grants - (Continued)

Special Revenue Funds - (Continued)
Title VI-B
Instructional Materials Subsidy
Goals 2000
Safe and Drug-Free Schools

Capital Projects Funds
SchoolNet Plus
Technology Equity
Power-Up Technology

Reimbursable Grants

General Fund
Driver Education

Proprietary Funds
National School Lunch Program
School Breakfast Program
Government Donated Commodities

Grants and entitlements amounted to approximately 60 percent of the District's operating revenue during fiscal year 2001.

J. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant may include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of Agency funds, which do not report transfers of resources as operating transfers.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable". Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 2001 is presented in Note 5.

K. Compensated Absences

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date 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 eight (8) or more years of service at the District were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments. For Governmental funds, the District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

The criteria for determining vacation and sick leave components are derived from negotiated agreements and state laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 217 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 60 days for classified and certified employees.

Accumulated vacation and severance of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

L. Long-Term Obligations

In general, Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from Governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than two months after year end are considered not to have used current available financial resources. Bonds, capital leases, and long-term notes and loans are reported as a liability of the General Long-Term Obligations Account Group until due.

Long-term debt and other obligations financed by Proprietary funds are reported as liabilities in the appropriate Proprietary funds.

M. Fund Equity

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, tax revenue unavailable for appropriation, prepayments, principal endowment, scholarships, instructional materials, and BWC refunds. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under Ohio statute.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

N. Statutory Reserves

The District is required by state law to set aside certain (cash-basis) General fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>	<u>BWC Refunds</u>
Set-aside cash balance as of July 1, 2000	\$ 72,426	\$ 191,908	\$ 120,964	\$ 0
Current year set-aside requirement	224,493	224,493		
Qualifying disbursements	(205,162)	(452,434)		
Change in statutory requirement	_____	_____	<u>(120,964)</u>	<u>47,190</u>
Total, June 30, 2001	<u>91,757</u>	<u>(36,033)</u>	<u>0</u>	<u>47,190</u>
Cash balance carried forward to FY 2002	<u>\$ 91,757</u>	<u>\$ (36,033)</u>	<u>\$ 0</u>	<u>\$47,190</u>

A schedule of the restricted assets at June 30, 2001 follows:

Amount restricted for BWC Refunds	\$ 47,190
Amount restricted for instructional materials	<u>91,757</u>
Total restricted assets	<u>\$138,947</u>

Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. As of June 30, 2001, monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by State statute and the School Board. All remaining monies previously reported in the budget stabilization reserve are now reported as unreserved and undesignated fund balance in the general fund. The District is still required by state law to maintain the textbook reserve and capital acquisition reserve.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

The District had offsets and qualifying disbursements during the year that reduced the capital improvements set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements of future years. This negative amount is therefore presented as being carried forward to the next fiscal year.

O. Restricted Assets

Restricted assets in the General fund represent cash and cash equivalents set-aside to purchase instructional materials and for BWC refunds. Reservations of fund balance have also been recorded. See statutory reserves in Note 2.N.

P. Statement of Cash Flows

In September 1989, GASB issued Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented a statement of cash flows for its Proprietary and Nonexpendable Trust funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

Q. Parochial Schools

Within the District boundaries, St. Mary's Elementary School is operated by the Toledo Catholic Diocese. Current state legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. The receipt and expenditure of these state monies by the District are reflected as Special Revenue funds for financial reporting purposes.

R. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

S. Estimates

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

T. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, was implemented during fiscal 2001. This statement pertains to the financial reporting of certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions. The adoption of this statement had no effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

B. Deficit Fund Balances

Fund balances at June 30, 2001 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Fund</u>	
Local Professional Development	\$(24)

**LAKOTA LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

This deficit, was caused by the application of generally accepted accounting principles and will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The General fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur. This fund complied with state statute which does not allow a cash basis fund deficit at year-end.

C. Statutory Noncompliance

- The following funds had appropriations in excess of estimated resources for the year ended June 30, 2001 in noncompliance with Ohio Revised Code Section 5705.39:

<u>Fund Type</u>	<u>Fund</u>	<u>Excess Amount</u>
Special Revenue	Other Miscellaneous Grants	\$ 2,830
Special Revenue	District Managed Student Activity	6,201
Special Revenue	Local Professional Development Block Grant	1,026
Special Revenue	Disadvantaged Pupil Impact Aid	20
Special Revenue	Migrant Program	103,152
Special Revenue	Education for Economic Security Act (EESA)	126
Special Revenue	Title I	1,600
Special Revenue	Title VI	4,667
Special Revenue	Miscellaneous Federal Grants	18,724
Internal Service	Rotary	2,603

- The following funds had expenditures plus encumbrances in excess of appropriations in noncompliance with Ohio Revised Code Section 5705.41 (B).

Expenditures plus encumbrances exceeded appropriations as follows:

<u>Fund Type</u> <u>Fund/Function</u>	<u>Appropriations</u>	<u>Expenditures</u> <u>Plus Encumbrances</u>	<u>Excess</u>
<u>General Fund</u>			
Instruction:			
Regular			
Fringe Benefits	\$882,340	\$937,269	\$54,929
Other	700,500	747,165	46,665
Extracurricular Activities:			
Occupation Oriented			
Fringe Benefits	31,177	31,708	531

**LAKOTA LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

D. Prior Period Adjustment

The District has presented a restatement of fund type balances as originally presented at June 30, 2000 to reclassify a previously reported long-term advance as an operating transfer. The effect of this adjustment to fund type balance is as follows:

	Fund Type Balance as Originally Presented June 30, 2000	Effect of Adjustment	Restated Fund Type Balance July 1, 2000
General Fund	\$932,761	\$(15,338)	\$917,423
Special Revenue Funds	94,039	15,338	109,377

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

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

**LAKOTA LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

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

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

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

**LAKOTA LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand: At year end, the District had \$2,000 in undeposited cash on hand which is included on the combined balance sheet as part of "Equity in Pooled Cash and Cash Equivalents", but is not included in the total amount of deposits reported below.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements.

Deposits: At year-end the carrying amount of the District's deposits was \$(30,076) and the bank balance was \$20,962. 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 entire bank balance was covered by federal deposit insurance.

**LAKOTA LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category of Risk 3	Fair Value
Repurchase Agreement	\$270,730	\$ 270,730
Not Subject to Categorization:		
Investment in State		
Treasurer's Investment Pool	_____	2,091,671
Total Investments	\$270,730	\$2,362,401

The classification of cash, cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 entitled Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

A reconciliation between the classifications of cash, cash equivalents, and investments on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Equity in Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 2,334,325	\$ 0
Investments of the Cash		
Management Pool:		
Repurchase Agreement	(270,730)	270,730
State Treasurer's Investment Pool	(2,091,671)	2,091,671
Cash on Hand	(2,000)	_____
GASB Statement No. 3	\$ (30,076)	\$2,362,401

**LAKOTA LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2001, which result from quasi-external transactions, consist of the following individual fund receivables and payables:

	<u>Due from Other Funds</u>	<u>Due (to) Other Funds</u>
<u>General Fund</u>		\$(7,908)
<u>Enterprise Fund</u>		
Food Service		(410)
<u>Internal Service Fund</u>		
Dental Self Insurance	\$8,318	_____
Total Due from/Due to Other Funds	<u>\$8,318</u>	<u>\$(8,318)</u>

- B. During fiscal year 2001, a residual equity transfer was made from the Uniform School Supplies Enterprise fund to the General fund in the amount of \$39,679. The Uniform School Supplies Enterprise fund was discontinued.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value, except for the personal property of rural electric companies, which is assessed 50% of market value, and railroads, which are assessed at 29%.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

The assessed values upon which the fiscal year 2001 taxes were collected are as follows:

	2000 Second-Half Collections		2001 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 86,223,070	82.99	\$ 91,297,370	83.92
Public Utility Personal	9,387,050	9.03	9,788,960	9.00
Tangible Personal Property	8,287,637	7.98	7,703,605	7.08
	<u>\$103,897,757</u>	<u>100.00</u>	<u>\$108,789,935</u>	<u>100.00</u>

Tax rate per \$1,000 of
assessed valuation:

Operations	\$48.20	\$48.00
------------	---------	---------

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

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

The District receives property taxes from Sandusky, Wood, and Seneca Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County as of June 30, 2001 are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2001, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2001 totaled \$586,926 in the General fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2001 consisted of property taxes, accounts (rent, billings for user charged services, and student fees), due from other funds, and intergovernmental grants (to the extent they are intended to finance the current fiscal year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current & delinquent	\$3,206,394
<u>Special Revenue Funds</u>	
Due from other governments	40,737
<u>Capital Projects Funds</u>	
Due from other governments	3,187
<u>Enterprise Fund</u>	
Due from other governments	13,515

**LAKOTA LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 8 - FIXED ASSETS

A. A summary of the changes in General Fixed Assets Account Group during fiscal year 2001 follows:

	<u>Balance at</u> <u>07/01/00</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>06/30/01</u>
Land and Improvements	\$ 377,741			\$ 377,741
Buildings and Improvements	3,038,970	\$ 21,135	\$ ---	3,060,105
Furniture, Fixtures and Equipment	1,723,801	22,369	---	1,746,170
Books	665,423	---	---	665,423
Vehicles	<u>1,289,549</u>	<u>181,121</u>	<u>(60,448)</u>	<u>1,410,222</u>
Total General Fixed Assets	<u>\$7,095,484</u>	<u>\$224,625</u>	<u>\$(60,448)</u>	<u>\$7,259,661</u>

B. A summary of the Enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$ 153,365
Less Accumulated Depreciation	<u>(125,835)</u>
Net Fixed Assets	<u>\$ 27,530</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the District has entered into capitalized leases for the acquisition of copiers. The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a 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 at the conclusion of the lease term.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Financial Statement of Revenues, Expenditures, and Changes in Fund Balances-All Governmental Fund Types and Expendable Trust Fund. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Asset Account Group in the amount of \$42,379, which is equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in the 2001 fiscal year totaled \$8,976. This amount is reflected as debt service principal retirement in the General Fund.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2001.

General Long-Term Obligations

Year Ending <u>June 30</u>	<u>Copiers</u>
2002	\$10,476
2003	<u>2,619</u>
Total future minimum lease payments	13,095
Less: Amount Representing Interest	<u>(727)</u>
Present Value of Future Minimum Lease Payments	<u>\$12,368</u>

The District does not have capitalized lease obligations after fiscal year 2003.

NOTE 10 - LONG-TERM OBLIGATIONS

A. During the year ended June 30, 2001, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension obligation payable will be paid from the fund from which the employees' salaries are paid. Compensated absences are reported net of actual increases and decreases due to the practicality of determining these values.

	Restated Balance <u>07/01/00</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>06/30/01</u>
Capital Lease Obligation	\$ 21,344		\$ (8,976)	\$ 12,368
Pension Obligation Payable	78,828	\$83,931	(78,828)	83,931
Compensated Absences	<u>677,701</u>	_____	<u>(92,720)</u>	<u>584,981</u>
Total General Long-Term Obligations	<u>\$777,873</u>	<u>\$83,931</u>	<u>\$(180,524)</u>	<u>\$681,280</u>

**LAKOTA LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

B. 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, 2001 are a voted debt margin of \$9,791,094 an unvoted debt margin of \$108,790.

NOTE 11 - RISK MANAGEMENT

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 2001, the District contracted with Nationwide Insurance for fleet insurance and liability insurance, and with Utica National Insurance Group for property, inland marine and crime coverage. Coverages provided by these companies are as follows:

Building and Contents-replacement cost (\$500 deductible)	\$20,828,765
Inland Marine Coverage (\$250 deductible)	888,229
Crime Insurance	10,000
Automobile Liability (\$250 deductible)	1,000,000
Uninsured Motorists (\$250 deductible)	1,000,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years.

**LAKOTA LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 11 - RISK MANAGEMENT - (Continued)

For fiscal year 2001, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all 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 of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to Districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

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, Ohio Benefits Group, 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.

**LAKOTA LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 11 - RISK MANAGEMENT - (Continued)

The claims liability of \$5,798 reported in the Internal Service fund at June 30, 2001 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 2001 and the two previous fiscal years are as follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2001	\$ 3,105	\$67,395	\$(64,702)	\$5,798
2000	9,861	61,568	(68,324)	3,105
1999	11,393	68,363	(69,895)	9,861

NOTE 12 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains one Enterprise fund which provides lunchroom/cafeteria services, therefore segment information for the fiscal year ended June 30, 2001 is not presented. The Enterprise fund had \$5,449 of encumbrances outstanding at June 30, 2001.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides basic retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is established 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. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

**LAKOTA LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14 percent for 2001; 4.2 percent was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$215,428, \$195,438, and \$182,731, respectively; 55 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$97,032, which represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 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. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$659,638, \$694,129, and \$734,961, respectively; 88 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$78,140, which represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

**LAKOTA LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2001, no members of the Board of Education have elected Social Security.

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$211,834 during the 2001 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000, net health care costs paid by STRS were \$283.137 million and there were 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

**LAKOTA LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

For this fiscal year, employer contributions to fund health care benefits were 9.8 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million and there were approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$126,987 during the 2001 fiscal year.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Comparison (Non-GAAP Budgetary Basis) - All Governmental Fund Types 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 GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for Governmental fund types.

**LAKOTA LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 15 - 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 Governmental funds are as follows:

	Governmental Fund Types		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
	Budget basis	\$ 23,824	\$(15,132)
Net adjustment for revenue accruals	277,856	40,737	3,187
Net adjustment for expenditure accruals	(220,850)	40,519	(14,465)
Net adjustment for other financing sources (uses)	(3,076)	2,935	
Encumbrances	<u>403,058</u>	<u>13,022</u>	<u>20,802</u>
GAAP basis	<u>\$ 480,812</u>	<u>\$ 82,081</u>	<u>\$(47,238)</u>

NOTE 16 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2001.

B. Litigation

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 16 - CONTINGENCIES - (Continued)

C. School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 6, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the District is unable to determine the effect, if any, this decision will have on its future State funding and on its financial operations.

SUPPLEMENTAL DATA

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**LAKOTA LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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
U. S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Cluster:						
(A) (B) Food Distribution	10.550	N/A		\$34,951		\$35,229
(A) (C) School Breakfast Program	10.553	049569-05-PU-2000	\$2,676		\$2,676	
(A) (C) National School Lunch Program	10.555	049569-LL-P1-2000	24,043		24,043	
(A) (C) National School Lunch Program	10.555	049569-LL-P4-2000	8,728		8,728	
(A) (C) National School Lunch Program	10.555	049569-LL-P1-2001	56,929		56,929	
(A) (C) National School Lunch Program	10.555	049569-LL-P4-2001	22,254		22,254	
Total Nutrition Cluster and U. S. Department of Agriculture			114,630	34,951	114,630	35,229
U. S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I - Grants to Local Educational Agencies	84.010	049569-C1-S1-2000	11,719		16,614	
Title I - Grants to Local Educational Agencies	84.010	049569-C1-S1-2001	85,948		83,104	
Total Title I			97,667		99,718	
Migrant Education	84.011	049569-MG-S1-1999	0		10,891	
Migrant Education	84.011	049569-MG-S1-2000	68,987		87,465	
Migrant Education	84.011	049569-MG-S1-2001	32,190		11,258	
Total Migrant Education			101,177		109,614	
Title VI-B -Education of the Handicapped Act	84.027	049569-6B-SF-2000 P	25,745		40,309	
Title VI-B -Education of the Handicapped Act	84.027	049569-6B-SF-2001 P	134,719		116,471	
Total VI-B			160,464		156,780	
Safe and Drug-Free Schools Grants	84.186	049569-DR-S1-2000	1,380		2,104	
Safe and Drug-Free Schools Grants	84.186	049569-DR-S1-2001	5,580		1,648	
Total Safe and Drug-Free Schools Grants			6,960		3,752	
Goals 2000	84.276	049569-G2-S2-2000	21,000		7,275	
Goals 2000	84.276	049569-G2-S2-2001	14,000		0	
Total Goals 2000			35,000		7,275	
Eisenhower Professional Development Grant	84.281	049569-MS-S1-2000	3,900		2,079	
Eisenhower Professional Development Grant	84.281	049569-MS-S1-2001	5,178		4,908	
Total Eisenhower Professional Development Grant			9,078		6,987	
Title VI - Innovative Educational Program Strategies	84.298	049569-C2-S1-2001	5,956		3,107	
Class Size Reduction	84.340	049569-CR-S1 2000	3,814		5,539	
Class Size Reduction	84.340	049569-CR-S1 2001	8,025		8,025	
Total Class Size Reduction			11,839		13,564	
Total U. S. Department of Education			428,141		400,797	
Total Federal Financial Assistance			\$542,771	\$34,951	\$515,427	\$35,229

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.
 (B) The Food Distribution Program is a noncash, 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 a cash basis.

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TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose 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 general purpose financial statements of Lakota Local School District as of and for the fiscal year ended June 30, 2001, and have issued our report thereon dated December 6, 2001. 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.

Compliance

As part of obtaining reasonable assurance about whether Lakota Local School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items: 2001-LLSD-001 and 2001-LLSD-002. We also noted certain immaterial instances of noncompliance that we have reported to management of Lakota Local School District in a separate letter dated December 6, 2001.

Board of Education
Lakota Local School District

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 opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to the significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Lakota Local School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-LLSD-001 and 2001-LLSD-002.

A material weakness is a 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 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of Lakota Local School District in a separate letter dated December 6, 2001.

This report is intended 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.

Trimble, Julian & Grube, Inc.
December 6, 2001

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Report on Compliance With Requirements Applicable to Its 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 its major federal program for the fiscal year ended June 30, 2001. Lakota Local School District's major federal program is 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 its major federal program is the responsibility of Lakota Local School District's management. Our responsibility is to express an opinion on Lakota Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 its major federal program for the fiscal year ended June 30, 2001.

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 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 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 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.

Trimble, Julian & Grube, Inc.
December 6, 2001

**LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY
JUNE 30, 2001**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

1. SUMMARY OF AUDITOR'S RESULTS		
<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>	Yes
<i>(d)(1)(iii)</i>	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	Yes
<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 Program:</i>	Special Education - Title VI-B; 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>	Yes

**LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY
JUNE 30, 2001**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2001-LLSD-001

Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed estimated resources.

It was noted during the audit that the total appropriations exceeded the total estimated resources in the following funds:

Fund Type	Fund	Excess Amount
Special Revenue	Other Miscellaneous Grants	\$ 2,830
Special Revenue	District Managed Student Activity	6,201
Special Revenue	Local Professional Development Block Grant	1,026
Special Revenue	Disadvantaged Pupil Impact Aid	20
Special Revenue	Migrant Program	103,152
Special Revenue	Education for Economic Security Act (EESA)	126
Special Revenue	Title I	1,600
Special Revenue	Title VI	4,667
Special Revenue	Miscellaneous Federal Grants	18,724
Internal Service	Rotary	2,603

With appropriations exceeding estimated resources, the District is spending monies that are not lawfully appropriated for those purposes and thus could cause a fund deficit.

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations versus estimated resources records and amending the budget prior to year end. If it is determined that estimated resources will be greater than initially anticipated, the District should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources. In addition, the District should monitor its budgetary process on a regular basis.

**LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY
JUNE 30, 2001**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

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

Finding Number	2001-LLSD-002
----------------	---------------

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

It was noted during the audit that the District had expenditures plus encumbrances exceeding appropriations in the following fund:

<u>Fund Type Fund/Function</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
<u>General Fund</u>			
Instruction:			
Regular			
Fringe Benefits	\$ 882,340	\$937,269	\$54,929
Other	700,500	747,165	46,665
Extracurricular Activities:			
Occupation Oriented			
Fringe Benefits	31,177	31,708	531

With expenditures plus encumbrances exceeding appropriations, the District is unlawfully expending monies that have not been appropriated.

We recommend that the District comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the budget throughout the fiscal year. This may be achieved by monitoring the budget more closely on a continual basis.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY
JUNE 30, 2001**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u>; <i>Explain:</i>
2000-LLSD-001	Ohio Revised Code Section 5705.39	No	The current District Treasurer is preparing monthly amendments to the Board for approval.
2000-LLSD-002	Ohio Revised Code Section 5705.41 (B)	No	The current District Treasurer is preparing monthly amendments to the Board for approval.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
JANUARY 17, 2002**