

**LAKOTA LOCAL
SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**
*BASIC FINANCIAL STATEMENTS
(AUDITED)*

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2004*

NATHAN LYNCH, TREASURER



**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Lakota Local School District, Sandusky County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 2003 through June 30, 2004. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

March 16, 2005

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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 financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Lakota Local School District, Sandusky County, (the “District”), as of and for the fiscal year ended June 30, 2004, which collectively comprise the District’s basic financial statements. These financial statements are the responsibility of the District’s management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the Lakota Local School District, Sandusky County, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, GASB Statement No. 38, Certain Financial Statement Note Disclosures, GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units, GASB Interpretation No. 6 Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences for the fiscal year ended June 30, 2004. In addition, capital assets have been restated due to the performance of a new appraisal as described in Note 8.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2005, on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditor's Report
Lakota Local School District

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

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



Trimble, Julian & Grube, Inc.
January 28, 2005

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

The management's discussion and analysis of the Lakota Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

- In total, net assets of governmental activities decreased \$269,104 which represents a 8.23% decrease from 2003.
- General revenues accounted for \$8,525,307 in revenue or 84.84% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,523,770 or 15.16% of total revenues of \$10,049,077.
- The District had \$10,318,181 in expenses related to governmental activities; \$1,523,770 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,525,307 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$8,788,914 in revenues and other financing sources and \$9,373,443 in expenditures. During fiscal year 2004, the general fund's fund balance decreased \$584,529 from \$1,476,520 to \$891,991.

Using these Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for dental self-insurance. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 23 and 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-52 of this report.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting; therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of the District's net assets for 2004.

	Net Assets
	Governmental Activities <u>2004</u>
<u>Assets</u>	
Current and other assets	\$ 5,126,009
Capital assets, net	<u>2,371,401</u>
Total assets	<u>7,497,410</u>
<u>Liabilities</u>	
Current liabilities	3,572,824
Long-term liabilities	<u>924,260</u>
Total liabilities	<u>4,497,084</u>
<u>Net Assets</u>	
Invested in capital assets, net of related debt	2,128,673
Restricted	473,097
Unrestricted	<u>398,556</u>
Total net assets	<u>\$ 3,000,326</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$3,000,326. Of this total, \$398,556 is unrestricted in use.

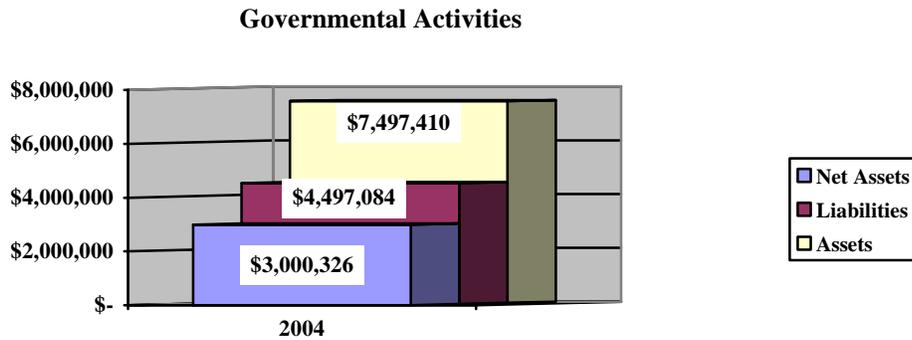
At fiscal year-end, capital assets represented 31.63% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$2,128,673. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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A portion of the District's net assets, \$473,097, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$398,556 may be used to meet the District's ongoing obligations to the students and creditors.

The table below illustrates the District's assets, liabilities and net assets at June 30, 2004.



The table below shows the change in net assets for fiscal year 2004. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2003 are not available. A comparative analysis will be provided in future years when prior year information is available.

Change in Net Assets

	Governmental Activities 2004
<u>Revenues</u>	
Program revenues:	
Charges for services and sales	\$ 318,051
Operating grants and contributions	985,987
Capital grants and contributions	219,732
General revenues:	
Property taxes	2,749,475
Grants and entitlements	5,598,659
Investment earnings	28,132
Other	149,041
Total revenues	10,049,077

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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Change in Net Assets

	Governmental Activities <u>2004</u>
<u>Expenses</u>	
Program expenses:	
Instruction:	
Regular	\$ 3,863,338
Special	1,515,629
Vocational	12,070
Other	892,468
Support services:	
Pupil	480,221
Instructional staff	214,324
Board of education	7,061
Administration	718,379
Fiscal	140,914
Business	197,947
Operations and maintenance	676,855
Pupil transportation	763,562
Central	49,624
Operations of non-instructional service	23,747
Extracurricular activities	251,465
Food service operations	497,297
Interest and fiscal charges	<u>13,280</u>
Total expenses	<u>10,318,181</u>
Change in net assets	(269,104)
Net assets at beginning of year	<u>3,269,430</u>
Net assets at end of year	<u><u>\$ 3,000,326</u></u>

Governmental Activities

Net assets of the District's governmental activities decreased \$269,104. Total governmental expenses of \$10,318,181 were offset by program revenues of \$1,523,770 and general revenues of \$8,525,307. Program revenues supported 14.76% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 83.07% of total governmental revenue.

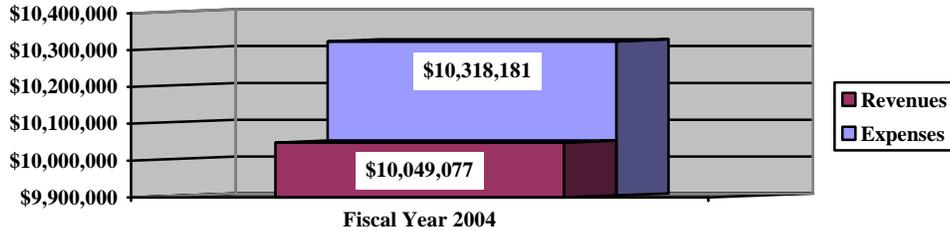
The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,283,505 or 60.89% of total governmental expenses for fiscal 2004.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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The graph below presents the District's governmental activities revenue and expenses for fiscal year 2004.

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Comparisons to 2003 have not been presented since they are not available.

Governmental Activities

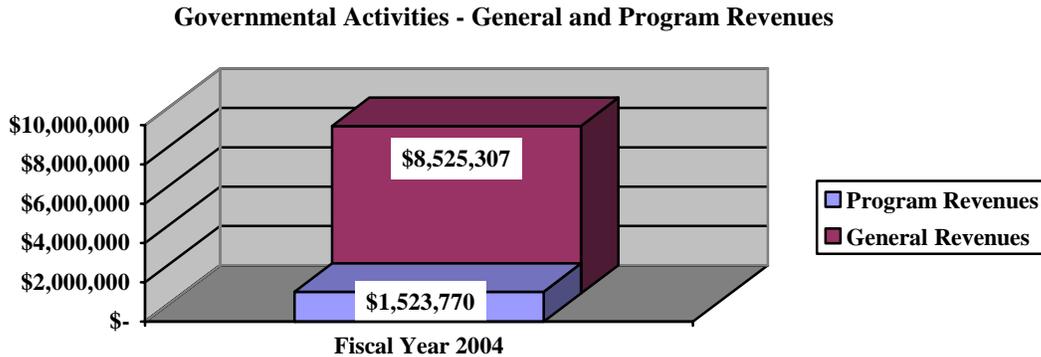
	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
Program expenses		
Instruction:		
Regular	\$ 3,863,338	\$ 3,707,805
Special	1,515,629	1,023,862
Vocational	12,070	12,070
Other	892,468	892,468
Support services:		
Pupil	480,221	425,199
Instructional staff	214,324	214,324
Board of education	7,061	7,061
Administration	718,379	653,030
Fiscal	140,914	140,914
Business	197,947	197,947
Operations and maintenance	676,855	676,462
Pupil transportation	763,562	756,150
Central	49,624	49,624
Operations of non-instructional services	23,747	(1,092)
Extracurricular activities	251,465	(55,184)
Food service operations	497,297	80,491
Interest and fiscal charges	13,280	13,280
Total expenses	<u>\$ 10,318,181</u>	<u>\$ 8,794,411</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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The dependence upon tax and other general revenues for governmental activities is apparent, 89.70% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.23%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2004.



The District's Funds

The District's governmental funds reported a combined fund balance of \$1,315,273, which is lower than last year's total of \$1,772,827. The June 30, 2003 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance <u>June 30, 2004</u>	Restated Fund Balance <u>June 30, 2003</u>	Increase (Decrease)	Percentage Change
General	\$ 891,991	\$ 1,476,520	\$ (584,529)	(39.58) %
Other Governmental	<u>423,282</u>	<u>296,307</u>	<u>126,975</u>	42.85 %
Total	<u>\$ 1,315,273</u>	<u>\$ 1,772,827</u>	<u>\$ (457,554)</u>	(25.80) %

General Fund

The District's general fund balance decreased \$584,529 (after a restatement to the June 30, 2003, fund balance which is detailed in Note 3.A. to the basic financial statements). The decrease in fund balance can be attributed to several items related to decreasing revenues and increased expenditures. Expenditures exceed revenues for fiscal year 2004 by \$803,430. On March 3, 2004 the Governor of the State of Ohio issued an executive order to reduce funding to school districts to help offset the state's fiscal year deficit. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

	2004 <u>Amount</u>	2003 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 2,830,381	\$ 2,780,836	\$ 49,545	1.78 %
Earnings on investments	26,148	38,315	(12,167)	(31.76) %
Intergovernmental	5,598,659	5,720,609	(121,950)	(2.13) %
Other revenues	<u>114,825</u>	<u>146,020</u>	<u>(31,195)</u>	(21.36) %
Total	<u>\$ 8,570,013</u>	<u>\$ 8,685,780</u>	<u>\$ (115,767)</u>	(1.33) %
<u>Expenditures</u>				
Instruction	\$ 5,703,704	\$ 5,636,439	\$ 67,265	1.19 %
Support services	3,022,310	3,011,494	10,816	0.36 %
Extracurricular activities	117,631	174,438	(56,807)	(32.57) %
Facilities acquisition and construction	226,028	-	226,028	100.00 %
Capital outlay	218,901	109,278	109,623	100.32 %
Debt service	<u>84,869</u>	<u>22,525</u>	<u>62,344</u>	276.78 %
Total	<u>\$ 9,373,443</u>	<u>\$ 8,954,174</u>	<u>\$ 419,269</u>	4.68 %

The decrease in investment income is due to drastic cuts in interest rates by the Federal Reserve Bank throughout the year. All other revenue remained comparable to 2003. Extracurricular activities expenditures decreased 32.57%. Facilities acquisition and construction expenditures increased due to the purchase of land. Capital outlay increased due to the capital lease the District entered into for weight equipment. Debt service increased due to the capital leases being paid from the general fund of the District. All other expenditures remained comparable to 2003.

General Fund Budgeting Highlights

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

During the course of fiscal 2004, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$8,498,846 and final budgeted revenues and other financing sources were \$8,514,760. Actual revenues and other financing sources for fiscal 2004 was \$8,516,271. This represents a \$1,511 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$10,029,217 were increased to \$10,757,384 in the final appropriations. The actual budget basis expenditures for fiscal year 2004 totaled \$9,408,447, which was \$1,348,937 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004, the District had \$2,371,401 invested in land, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances compared to the restated balances of 2003:

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

	Governmental Activities	
	2004	(Restated) 2003
Land	\$ 450,809	\$ 224,781
Building and improvements	1,065,939	905,799
Furniture and equipment	357,503	215,814
Vehicles	497,150	500,820
Total	\$ 2,371,401	\$ 1,847,214

The overall increase in capital assets of \$524,187 is due to capital outlays of \$770,805 exceeding depreciation expense of \$246,618 in the fiscal year.

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

Debt Administration

At June 30, 2004, the District had \$242,728 in capital lease obligations outstanding. Of this total, \$93,596 is due within one year and \$149,132 is due in greater than one year. The following table summarizes the capital lease obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2004	Governmental Activities 2003
Capital lease obligations	\$ 242,728	\$ 95,416
Total	\$ 242,728	\$ 95,416

At June 30, 2004, the District's overall legal debt margin was \$10,431,866, and an unvoted debt margin of \$107,813.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Current Financial Related Activities

In March 2004, the voters of the Lakota Local School District voted in favor of a one percent income tax levy for the school district. This income tax is estimated to generate \$1,065,000 for the operation of the school district annually. Due to the passage of the income tax, the Lakota Board of Education will not seek to re-new the 5 mil emergency property tax that is due to expire at the end of 2006. This levy generated approximately \$500,000 annually for the school district.

Contacting the District's Financial Management

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

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 1,740,958
Receivables:	
Taxes	3,099,588
Accounts	418
Intergovernmental	245,205
Prepayments	38,007
Materials and supplies inventory	1,833
Capital assets:	
Land	450,809
Depreciable capital assets, net	1,920,592
Capital assets, net	2,371,401
 Total assets	 7,497,410
Liabilities:	
Accounts payable	62,234
Accrued wages and benefits	845,444
Pension obligation payable	261,038
Intergovernmental payable	39,245
Deferred revenue	2,359,146
Claims payable	5,717
Long-term liabilities:	
Due within one year.	154,230
Due in more than one year	770,030
 Total liabilities	 4,497,084
Net Assets:	
Invested in capital assets, net of related debt.	2,128,673
Restricted for:	
Other purposes	473,097
Unrestricted.	398,556
 Total net assets	 \$ 3,000,326

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 3,863,338	\$ -	\$ 155,533	\$ -	\$ (3,707,805)
Special	1,515,629	-	491,767	-	(1,023,862)
Vocational	12,070	-	-	-	(12,070)
Other	892,468	-	-	-	(892,468)
Support services:					
Pupil.	480,221	-	55,022	-	(425,199)
Instructional staff	214,324	-	-	-	(214,324)
Board of education	7,061	-	-	-	(7,061)
Administration.	718,379	-	65,349	-	(653,030)
Fiscal.	140,914	-	-	-	(140,914)
Business.	197,947	-	-	-	(197,947)
Operations and maintenance	676,855	-	393	-	(676,462)
Pupil transportation.	763,562	-	7,412	-	(756,150)
Central	49,624	-	-	-	(49,624)
Operation of non-instructional					
services.	23,747	-	24,839	-	1,092
Extracurricular activities	251,465	86,917	-	219,732	55,184
Food service operations	497,297	231,134	185,672	-	(80,491)
Interest and fiscal charges	13,280	-	-	-	(13,280)
Total governmental activities	<u>\$ 10,318,181</u>	<u>\$ 318,051</u>	<u>\$ 985,987</u>	<u>\$ 219,732</u>	<u>(8,794,411)</u>

General Revenues:

Property taxes levied for:	
General purposes	2,749,475
Grants and entitlements not restricted	
to specific programs.	5,598,659
Investment earnings	28,132
Miscellaneous	149,041
Total general revenues.	<u>8,525,307</u>
Change in net assets	(269,104)
Net assets at beginning of year.	<u>3,269,430</u>
Net assets at end of year	<u>\$ 3,000,326</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 1,122,518	\$ 376,280	\$ 1,498,798
Receivables:			
Taxes	3,099,588	-	3,099,588
Accounts	-	418	418
Intergovernmental	2,818	242,387	245,205
Due from other funds	73,073	-	73,073
Prepayments	38,007	-	38,007
Materials and supplies inventory	-	1,833	1,833
Restricted assets:			
Equity in pooled cash and cash equivalents	236,564	-	236,564
Total assets	<u>\$ 4,572,568</u>	<u>\$ 620,918</u>	<u>\$ 5,193,486</u>
Liabilities:			
Accounts payable	\$ 39,458	\$ 22,776	\$ 62,234
Accrued wages and benefits	811,425	34,019	845,444
Compensated absences payable	45,446	-	45,446
Pension obligation payable	134,314	35,447	169,761
Intergovernmental payable	37,131	2,114	39,245
Due to other funds	-	73,073	73,073
Deferred revenue	2,612,803	30,207	2,643,010
Total liabilities	<u>3,680,577</u>	<u>197,636</u>	<u>3,878,213</u>
Fund Balances:			
Reserved for encumbrances	244,321	27,102	271,423
Reserved for materials and supplies inventory	-	1,833	1,833
Reserved for prepayments	38,007	-	38,007
Reserved for property tax unavailable for appropriation	317,381	-	317,381
Reserved for BWC refunds	47,190	-	47,190
Reserved for textbooks	189,374	-	189,374
Unreserved, undesignated (deficit), reported in:			
General fund	55,718	-	55,718
Special revenue funds	-	396,801	396,801
Capital projects funds	-	(2,454)	(2,454)
Total fund balances	<u>891,991</u>	<u>423,282</u>	<u>1,315,273</u>
Total liabilities and fund balances	<u>\$ 4,572,568</u>	<u>\$ 620,918</u>	<u>\$ 5,193,486</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004

Total governmental fund balances		\$	1,315,273
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			2,371,401
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	253,657	
Intergovernmental revenue		<u>30,207</u>	
Total			283,864
An internal service fund is used by management to charge the costs of dental insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.			(121)
Long-term liabilities, including capital lease obligation, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(636,086)	
Pension obligation payable		(91,277)	
Capital lease obligation		<u>(242,728)</u>	
Total			<u>(970,091)</u>
Net assets of governmental activities		\$	<u><u>3,000,326</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 2,830,381	\$ -	\$ 2,830,381
Earnings on investments	26,148	1,984	28,132
Charges for services	-	231,134	231,134
Extracurricular.	-	82,900	82,900
Other local revenues.	114,825	78,967	193,792
Intergovernmental - Intermediate	52,309	-	52,309
Intergovernmental - State	5,546,350	118,797	5,665,147
Intergovernmental - Federal.	-	933,777	933,777
Total revenues.	<u>8,570,013</u>	<u>1,447,559</u>	<u>10,017,572</u>
Expenditures:			
Current:			
Instruction:			
Regular	3,710,001	112,730	3,822,731
Special.	1,094,906	414,102	1,509,008
Vocational.	12,070	-	12,070
Other	886,727	-	886,727
Support services:			
Pupil.	384,448	60,648	445,096
Instructional staff	220,322	-	220,322
Board of education	8,123	-	8,123
Administration.	628,146	58,771	686,917
Fiscal	142,013	-	142,013
Business	197,947	-	197,947
Operations and maintenance.	665,511	14,024	679,535
Pupil transportation	726,176	31,028	757,204
Central	49,624	-	49,624
Operation of non-instructional services	-	23,802	23,802
Extracurricular activities.	117,631	112,686	230,317
Food service operations	-	492,793	492,793
Facilities acquisition and construction	226,028	-	226,028
Capital outlay	218,901	-	218,901
Debt service:			
Principal retirement	71,589	-	71,589
Interest and fiscal charges	13,280	-	13,280
Total expenditures	<u>9,373,443</u>	<u>1,320,584</u>	<u>10,694,027</u>
Excess of revenues over (under) expenditures.	<u>(803,430)</u>	<u>126,975</u>	<u>(676,455)</u>
Other financing sources:			
Proceeds of capital lease transaction	218,901	-	218,901
Total other financing sources	<u>218,901</u>	<u>-</u>	<u>218,901</u>
Net change in fund balances	(584,529)	126,975	(457,554)
Fund balances at beginning of year (restated)	<u>1,476,520</u>	<u>296,307</u>	<u>1,772,827</u>
Fund balances at end of year.	<u>\$ 891,991</u>	<u>\$ 423,282</u>	<u>\$ 1,315,273</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds	\$	(457,554)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$770,805) exceeds depreciation expense (\$246,618) in the current period.		524,187
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(188,227)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		71,589
Proceeds of capital lease transactions are recorded as revenue in the funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		(218,901)
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		12,879
The internal service fund used by management to charge the costs of dental insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		(13,077)
		<hr/>
Change in net assets of governmental activities	\$	(269,104)
		<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 2,770,958	\$ 2,817,615	\$ 2,776,639	\$ (40,976)
Earnings on investments.	26,094	26,534	26,148	(386)
Other local revenues	114,490	116,418	114,725	(1,693)
Intergovernmental - Intermediate	52,202	53,081	52,309	(772)
Intergovernmental - State	5,535,002	5,628,201	5,546,350	(81,851)
Total revenues.	<u>8,498,746</u>	<u>8,641,849</u>	<u>8,516,171</u>	<u>(125,678)</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,972,722	4,257,518	3,746,849	510,669
Special.	1,131,707	1,226,424	1,079,320	147,104
Vocational.	4,113	13,715	12,070	1,645
Other.	928,561	1,007,512	886,666	120,846
Support services:				
Pupil.	406,028	430,470	378,837	51,633
Instructional staff	258,688	267,072	235,038	32,034
Board of education	203,406	230,627	202,964	27,663
Administration.	659,412	712,977	627,459	85,518
Fiscal	148,968	161,068	141,749	19,319
Business	207,207	225,683	198,613	27,070
Operations and maintenance.	759,575	816,447	718,518	97,929
Pupil transportation	868,732	826,994	727,800	99,194
Central.	58,308	58,192	51,212	6,980
Extracurricular activities.	184,252	199,219	175,324	23,895
Facilities acquisition and construction.	237,538	256,833	226,028	30,805
Total expenditures	<u>10,029,217</u>	<u>10,690,751</u>	<u>9,408,447</u>	<u>1,282,304</u>
Excess of revenues over (under) expenditures.	<u>(1,530,471)</u>	<u>(2,048,902)</u>	<u>(892,276)</u>	<u>1,156,626</u>
Other financing sources:				
Refund of prior year expenditure.	100	100	100	-
Total other financing sources	<u>100</u>	<u>100</u>	<u>100</u>	<u>-</u>
Net change in fund balance	(1,530,371)	(2,048,802)	(892,176)	1,156,626
Fund balance at beginning				
of year (restated)	1,628,482	1,628,482	1,628,482	-
Prior year encumbrances appropriated	424,217	424,217	424,217	-
Fund balance at end of year	<u>\$ 522,328</u>	<u>\$ 3,897</u>	<u>\$ 1,160,523</u>	<u>\$ 1,156,626</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2004

	Governmental Activities - Internal Service Fund
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents.	<u>\$ 5,596</u>
Total assets	<u>5,596</u>
Liabilities:	
Current liabilities:	
Claims payable	<u>5,717</u>
Total liabilities	<u>5,717</u>
Net assets:	
Unrestricted (deficit)	<u>(121)</u>
Total net assets (deficit)	<u><u>\$ (121)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Governmental Activities - Internal Service Fund
Operating revenues:	
Sales/charges for services	\$ 70,179
Total operating revenues	70,179
 Operating expenses:	
Purchased services.	5,693
Claims expense.	77,563
Total operating expenses	83,256
Operating loss/change in net assets.	(13,077)
 Net assets at beginning of year	 12,956
Net assets (deficit) at end of year	\$ (121)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from sales/charges for services	\$ 70,179
Cash payments for purchased services.	(5,693)
Cash payments for claims	(80,818)
	(16,332)
Net cash used in operating activities	(16,332)
Cash and cash equivalents at beginning of year . . .	21,928
Cash and cash equivalents at end of year.	\$ 5,596
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (13,077)
Changes in assets and liabilities:	
Decrease in claims payable.	(3,255)
	(3,255)
Net cash used in operating activities	\$ (16,332)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 20,150	\$ 23,245
Total assets.	20,150	\$ 23,245
Liabilities:		
Accounts payable.	1,350	\$ 514
Due to students	-	22,731
Total liabilities	1,350	\$ 23,245
Net Assets:		
Held in trust for scholarships	18,800	
Total net assets	\$ 20,150	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 359
Gifts and contributions.	589
	948
Total additions.	948
Deductions:	
Scholarships awarded	2,050
	(1,102)
Change in net assets	(1,102)
Net assets at beginning of year	19,902
Net assets at end of year.	\$ 18,800

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District ranks as the 456th largest by enrollment among the 613 public school districts in Ohio and the third largest in Sandusky County. It is staffed by 75 non-certificated employees and 95 certificated full-time teaching personnel, who provide services to 1,145 students and other community members. The District currently operates 5 instructional buildings and 1 garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Educational Computer Association

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

Vanguard-Sentinel Career Center

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

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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

PROPRIETARY FUND

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

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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

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

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

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

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

D. Basis of Accounting

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities received during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds (except Agency funds). The specific timetable for fiscal year 2004 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Sandusky County Budget Commission for tax rate determination.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificates issued for fiscal year 2004.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. Although the legal level of control has been established at the fund level of expenditures, the District has elected to present the budgetary statement for the general fund at the fund and function level of expenditures in the basic financial statements.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2004. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the legal level of budgetary control.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

During fiscal year 2004, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and a repurchase agreement. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

The District has invested funds in STAR Ohio during fiscal 2004. 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, 2004.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private-purpose trust funds. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$26,148, which includes \$2,630 assigned from other funds.

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

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

G. Inventory

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “due from/due to other funds.” These amounts are eliminated in the governmental activities column on the statement of net assets.

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2004, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least five years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, property tax revenue unavailable for appropriation, budget stabilization and textbooks. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

M. Operating Revenues and Expenses

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

N. Net Assets

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

O. Prepayments

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

P. Estimates

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

Q. Restricted Assets

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

R. Interfund Activity

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2004.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2004, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements Nos. 37, 38, 39 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures. GASB Statement No. 39 further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity."

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparison for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by the elimination of the internal service fund and the conversion to the accrual basis of accounting.

Governmental Activities - Fund Reclassification and Restatement of Fund Balance - Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2003.

The fund reclassifications and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance June 30, 2003	\$ 1,469,890	\$ 85,470	\$ 1,555,360
Fund reclassifications	-	210,837	210,837
Implementation of GASB Interpretation No. 6	<u>6,630</u>	<u>-</u>	<u>6,630</u>
Restated fund balance, June 30, 2003	<u>\$ 1,476,520</u>	<u>\$ 296,307</u>	<u>\$ 1,772,827</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	<u>Total</u>
Restated fund balance, June 30, 2003	\$ 1,772,827
GASB 34 adjustments:	
Long-term (deferred) assets	472,091
Capital assets	1,847,214
Pension obligation	(101,466)
Long-term liabilities	(734,192)
Internal service fund	12,956
Governmental activities net assets, June 30, 2003	\$ 3,269,430

B. Deficit Fund Balances

Fund balances at June 30, 2004 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Governmental Funds</u>	
District Managed Activities	\$ 8,916
Auxiliary Services	7,388
Management Information Systems	2,102
Summer Intervention	18,257
Goals 2000	1,443
SchoolNet	25,585

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

C. Noncompliance

1. The following funds had appropriations in excess of estimated resources for the fiscal year ended June 30, 2004, in noncompliance with Ohio Revised Code Section 5705.39:

<u>Nonmajor Funds</u>	<u>Excess</u>
Auxiliary Services	\$ 4,261
Disadvantaged Pupil Impact Aid	11,880
Innovative Education Programs	3,022
Continuous Improvement	1,443
SchoolNet	15,000

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

2. The following funds had expenditures exceeding appropriations for the fiscal year ended June 30, 2004, in noncompliance with Ohio Revised Code Section 5705.41(B):

<u>Nonmajor Funds</u>	<u>Excess</u>
Public School Fund	\$ 8,947
District Managed Student Activity	36,786
Ohio Reads	13,646
Summer Intervention	24,478
Title I (Migrant)	2,373
Special Education	29,109
Title V	726
Drug-Free Schools	763
Improve Teacher Quality	2,720
Miscellaneous Federal	2,083
SchoolNet	10,585
Food Service	68,754
Employee Benefits	11,511

3. The following funds maintained negative cash fund balances for the fiscal year ended June 30, 2004, in noncompliance with Ohio Revised Code Section 5705.10:

<u>Nonmajor Funds</u>	<u>Excess</u>
District Managed Student Activity	\$ 7,660
Auxiliary Services	7,226
Management Information Systems	2,095
SchoolNet	25,585
Summer Intervention	18,206
Special Education	8,800
Innovative Education Program	2,058
Continuous Improvement	1,443

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of 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 five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or 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 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

Cash on Hand: At fiscal year-end, the District had \$2,000 in undeposited cash on hand which is included on the balance sheet and statement of net assets of the District as part of “Equity in Pooled Cash and Cash Equivalents”.

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 fiscal year-end, the carrying amount of the District’s deposits was \$(3,439) and the bank balance was \$20,793. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft due to the “zero-balance” nature of the District’s bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements, which are reported as “investments”. The entire bank balance was covered by federal depository insurance.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

Investments: The District’s investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal year-end. Category 1 includes investments that are insured or registered or securities held by the District. 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, but not in the District’s name. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

	Category 3	Reported Amount	Fair Value
Repurchase agreement	\$ 163,943	\$ 163,943	\$ 163,943
	\$ 163,943		
Investment in STAR Ohio		1,621,849	1,621,849
Total investments		\$ 1,785,792	\$ 1,785,792

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 1,784,353	\$ -
Investments of the cash management pool:		
Repurchase agreement	(163,943)	163,943
Investment in STAR Ohio	(1,621,849)	1,621,849
Cash on hand	(2,000)	-
GASB Statement No. 3	\$ (3,439)	\$ 1,785,792

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2004 as reported on the fund statements, consist of the following amounts due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 73,073

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2004 are reported on the statement of net assets.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 6 - PROPERTY TAXES - (Continued)

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2004 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Sandusky County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004 was \$317,381 in the general fund. This amount has been recorded as revenue. The amount that was available as an advance at June 30, 2003 was \$433,043 in the general fund.

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

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 92,550,700	85.84	\$ 100,588,030	86.78
Public utility personal	8,321,700	7.72	8,250,380	7.11
Tangible personal property	<u>6,940,855</u>	<u>6.44</u>	<u>7,071,214</u>	<u>6.11</u>
Total	<u>\$ 107,813,255</u>	<u>100.00</u>	<u>\$ 115,909,624</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 47.90		\$ 41.45	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 7 - RECEIVABLES

Receivables at June 30, 2004 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities:

Property taxes	\$ 3,099,588
Accounts	418
Intergovernmental	<u>245,205</u>
Total	<u>\$ 3,345,211</u>

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

NOTE 8 - CAPITAL ASSETS

- A. The capital asset balances of the governmental activities have been restated due to the performance of a new appraisal of the District's capital assets.

	<u>Balance</u> <u>6/30/03</u>	<u>Adjustments</u>	<u>Restated</u> <u>Balance</u> <u>6/30/03</u>
Governmental Activities:			
Capital assets, not being depreciated:			
Land	\$ 224,781	\$ -	\$ 224,781
Total capital assets, not being depreciated	<u>224,781</u>	<u>-</u>	<u>224,781</u>
Capital assets, being depreciated:			
Land improvements	152,960	(62,800)	90,160
Buildings and improvements	3,080,331	830,399	3,910,730
Furniture and equipment	2,060,445	(1,191,620)	868,825
Vehicles	1,231,430	(10,749)	1,220,681
Textbooks	<u>665,423</u>	<u>(665,423)</u>	<u>-</u>
Total capital assets, being depreciated	<u>7,190,589</u>	<u>(1,100,193)</u>	<u>6,090,396</u>
<i>Less: accumulated depreciation:</i>	<u>-</u>	<u>(4,467,963)</u>	<u>(4,467,963)</u>
Governmental activities capital assets, net	<u>\$ 7,415,370</u>	<u>\$ (5,568,156)</u>	<u>\$ 1,847,214</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 8 - CAPITAL ASSETS - (Continued)

B. Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Restated Balance 06/30/03	Additions	Deductions	Balance 06/30/04
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 224,781	\$ 226,028	\$ -	\$ 450,809
Total capital assets, not being depreciated	<u>224,781</u>	<u>226,028</u>	<u>-</u>	<u>450,809</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	90,160	-	-	90,160
Buildings and improvements	3,910,730	219,732	-	4,130,462
Furniture and equipment	868,825	218,901	-	1,087,726
Vehicles	<u>1,220,681</u>	<u>106,144</u>	<u>-</u>	<u>1,326,825</u>
Total capital assets, being depreciated	<u>6,090,396</u>	<u>544,777</u>	<u>-</u>	<u>6,635,173</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(90,160)	-	-	(90,160)
Buildings and improvements	(3,004,931)	(59,592)	-	(3,064,523)
Furniture and equipment	(653,011)	(77,212)	-	(730,223)
Vehicles	<u>(719,861)</u>	<u>(109,814)</u>	<u>-</u>	<u>(829,675)</u>
Total accumulated depreciation	<u>(4,467,963)</u>	<u>(246,618)</u>	<u>-</u>	<u>(4,714,581)</u>
Governmental activities capital assets, net	<u>\$ 1,847,214</u>	<u>\$ 524,187</u>	<u>\$ -</u>	<u>\$ 2,371,401</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 57,034
Other	5,741

Support Services:

Pupil	27,870
Administration	10,062
Operations and maintenance	5,625
Pupil transportation	114,725
Extracurricular activities	20,997
Food service operations	<u>4,564</u>
Total depreciation expense	<u>\$ 246,618</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

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

Capital assets consisting of equipment have been capitalized in the amount of \$328,179. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2004 totaled \$71,589 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2004:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2005	\$ 104,304
2006	104,306
2007	45,991
2008	<u>6,638</u>
Total minimum lease payments	261,239
Less amount representing interest	<u>(18,511)</u>
Total	<u>\$ 242,728</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 10 - LONG-TERM OBLIGATIONS

- A. The balance of the District's governmental activities long-term obligations at June 30, 2003 has been restated. The compensated absences liability increased \$18,242 from \$575,184 to \$593,426 due to the implementation of GASB Interpretation No. 6 and the fund reclassifications described in Note 3.A. Pension obligations of \$85,977 at June 30, 2003 are not reported as a component of governmental activities long-term obligations as they are paid within one year of fiscal year-end. Pension obligations are reported separately on the statement of net assets. The effect on the total governmental activities long-term obligations at July 1, 2003 was a decrease of \$67,735 from \$756,577 to \$688,842. During fiscal year 2004, the following changes occurred in governmental activities long-term obligations:

	Restated Balance Outstanding <u>06/30/03</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/04</u>	Amounts Due in <u>One Year</u>
Governmental Activities:					
Capital lease obligation	\$ 95,416	\$ 218,901	\$ (71,589)	\$ 242,728	\$ 93,596
Compensated absences	<u>593,426</u>	<u>151,936</u>	<u>(63,830)</u>	<u>681,532</u>	<u>60,634</u>
Total long-term obligations, governmental activities	<u>\$ 688,842</u>	<u>\$ 370,837</u>	<u>\$ (135,419)</u>	<u>\$ 924,260</u>	<u>\$ 154,230</u>

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code further provides that unvoted indebtedness for energy conservation measures shall not exceed 9/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$10,431,866 and an unvoted debt margin of \$107,813.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the District contracted with Ohio School Plan for fleet insurance and liability insurance, and with Indiana Insurance Company for property, inland marine and crime coverage. Coverages provided by these companies are as follows:

Building and contents - replacement cost (\$25,000 deductible)	\$30,690,198
Inland marine coverage (\$250 deductible)	680,000
Crime insurance	100,000
Automobile liability (\$250 deductible)	1,000,000
Uninsured motorists (\$250 deductible)	1,000,000
General liability	
Per occurrence	1,000,000
Total per year	3,000,000

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

B. Workers' Compensation Plan

For fiscal year 2004, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

C. Employee Group Health Insurance

The District offers group life insurance to all employees through Guardian Life Insurance Company. The District offers employee group medical/surgical benefits through Medical Mutual of Ohio. The premium for family is \$1,051.11 and for single is \$399.62. The Board pays 90% of the premium for certified employees and the percentage the Board pays for the non-certified employees varies.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 11 - RISK MANAGEMENT - (Continued)

D. Self-Insurance

Dental insurance is offered to employees through a self-insured program. All funds of the District participate in the program and make payments to the dental self-insurance Internal Service fund based on actuarial estimates of the amounts needed to pay prior and current-year claims. The monthly premiums for dental are \$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.

The claims liability of \$5,717 reported in the internal service fund at June 30, 2004 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 2004 and the two previous fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2004	\$ 8,972	\$ 77,563	\$ (80,818)	\$ 5,717
2003	20,197	48,327	(59,552)	8,972

NOTE 12 - 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 retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$186,747, \$103,286, and \$195,345, respectively; 47% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$99,120, represents the unpaid contribution for fiscal year 2004.

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 retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS 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 State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2004 and 2003, 13% of annual covered salary 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% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$517,638, \$472,547, and \$659,638, respectively; 80% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$102,308 represents the unpaid contribution for fiscal year 2004. Contributions to the DC and Combined Plans for fiscal 2004 were \$6,096 made by the District and \$13,765 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The District's liability is 6.20 percent of wages paid.

NOTE 13 - 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 partial reimbursement of monthly Medicare Part B 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 pay a portion of the 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% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$36,974 during fiscal 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge, added to the unallocated portion of the 14% 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% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$106,481 during the 2004 fiscal year.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ (892,176)
Net adjustment for revenue accruals	53,842
Net adjustment for expenditure accruals	(236,628)
Net adjustment for other sources/uses	218,801
Adjustment for encumbrances	<u>271,632</u>
GAAP basis	<u>\$ (584,529)</u>

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

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

C. State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 16 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2004, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside cash balance as of June 30, 2003	\$ 182,327	\$ 108,746	\$ 47,190
Current year set-aside requirement	150,154	150,154	-
Qualifying disbursements	<u>(143,107)</u>	<u>(454,023)</u>	<u>-</u>
Total	<u>\$ 189,374</u>	<u>\$ (195,123)</u>	<u>\$ 47,190</u>
Cash balance carried forward to FY 2005	<u>\$ 189,374</u>	<u>\$ -</u>	<u>\$ 47,190</u>

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. The District is still required by state law to maintain the textbook reserve and the capital acquisition reserve. At June 30, 2004, the District had not spent all of the required amounts for textbooks, and the amount is therefore shown as a restricted asset.

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

A schedule of the restricted assets at June 30, 2004 follows:

Amounts restricted for textbooks	\$ 189,374
Amounts restricted for BWC refunds	<u>47,190</u>
Total restricted assets	<u>\$ 236,564</u>

SUPPLEMENTAL DATA

**LAKOTA LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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	\$ -	\$ 32,936	\$ -	\$ 32,936
(A), (C) School Breakfast Program	10.553	049569-05-PU-2003	1,892	-	1,892	-
(A), (C) National School Lunch	10.555	049569-LL-P4-2003	31,436	-	31,436	-
(A), (C) National School Lunch	10.555	049569-LL-P4-2004	98,212	-	98,212	-
Total U.S. Department of Agriculture and Nutrition Cluster			<u>131,540</u>	<u>32,936</u>	<u>131,540</u>	<u>32,936</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I - Grants to Local Educational Agencies	84.010	049569-C1-S1-2003	15,793		12,809	
Title I - Grants to Local Educational Agencies	84.010	049569-C1-S1-2004	275,351		231,303	
Total Title I			<u>291,144</u>		<u>244,112</u>	
Migrant Education State Grant Program	84.011	049569-MG-S1-2003	75,880		116,532	
Migrant Education State Grant Program	84.011	049569-MG-S1-2004	20,700		250	
Total Migrant Education			<u>96,580</u>		<u>116,782</u>	
Special Education - Grants to States	84.027	049569-6B-SF-2003-P	38,632		29,735	
Special Education - Grants to States	84.027	049569-6B-SF-2004-P	108,066		116,775	
Total Special Education - Grants to States			<u>146,698</u>		<u>146,510</u>	
Safe and Drug-Free Schools and Communities - State Grants	84.186	049569-DR-S1-2003	1,277		1,607	
Safe and Drug-Free Schools and Communities - State Grants	84.186	049569-DR-S1-2004	4,976		3,109	
Total Safe and Drug-Free Schools and Communities - State Grants			<u>6,253</u>		<u>4,716</u>	
State Grants for Innovative Programs	84.298	049569-C2-S1-2003	3,037		3,345	
State Grants for Innovative Programs	84.298	049569-C2-S1-2004	5,427		4,780	
Total State Grants for Innovative Programs			<u>8,464</u>		<u>8,125</u>	
Technology Literacy Challenge	84.318	049569-TJ-S1-2003	3,082		3,758	
Technology Literacy Challenge	84.318	049569-TJ-S1-2004	6,490		2,898	
Total Technology Literacy Challenge			<u>9,572</u>		<u>6,656</u>	
(E) School Renovation, IDEA and Technology	84.352A	049569-AT-S3-2002	3,057		2,047	
Improving Teacher Quality State Grants	84.367	049569-TR-S1-2003	11,607		8,720	
Improving Teacher Quality State Grants	84.367	049569-TR-S1-2004	52,428		40,123	
Total Improving Teacher Quality State Grants			<u>64,035</u>		<u>48,843</u>	
Total U.S. Department of Education			<u>625,803</u>		<u>577,791</u>	
Total Federal Financial Assistance			<u>\$ 757,343</u>	<u>\$ 32,936</u>	<u>\$ 709,331</u>	<u>\$ 32,936</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.
(B) The Food Distribution Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
(C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
(D) This schedule was prepared on the cash basis of accounting.
(E) This grant originates with the U.S. Department of Education and is passed through the Ohio Department of Education and then through the Ohio School Facilities Commission. The Ohio School Facilities Commission then passes it onto the District.

TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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

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

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Lakota Local School District as of and for the fiscal year ended June 30, 2004, which collectively comprise the Lakota Local School District's basic financial statements and have issued our report thereon dated January 28, 2005. As disclosed in Note 3 to the financial statements, the Lakota Local School District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus; GASB Statement No. 38, Certain Financial Statement Note Disclosures; GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units; GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences. In addition, capital assets have been restated due to the performance of a new appraisal as disclosed in Note 8. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lakota Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Lakota Local School District in a separate letter dated January 28, 2005.

Board of Education
Lakota Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lakota Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-LLSD-001, 2004-LLSD-002 and 2004-LLSD-003. We also noted certain matters that we reported to management of Lakota Local School District in a separate letter dated January 28, 2005.

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



Trimble, Julian & Grube, Inc.
January 28, 2005

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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, 2004. During the fiscal year ended June 30, 2004, the Lakota Local School District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus; GASB Statement No. 38, Certain Financial Statement Note Disclosures; GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units; GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences. In addition, capital assets have been restated due to the performance of a new appraisal as disclosed in Note 8. Lakota Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and *OMB Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lakota Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lakota Local School District's compliance with those requirements.

Board of Education
Lakota Local School District

In our opinion, Lakota Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2004.

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*.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Lakota Local School District's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. A reportable condition is described in the accompanying schedule of findings as item 2004-LLSD-004.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance 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 that the reportable condition described above is not a material weakness.

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



Trimble, Julian & Grube, Inc.
January 28, 2005

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2004**

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>	No
<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>	Yes
<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>	Title I: CFDA # 84.010
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2004**

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

Finding Number	2004-LLSD-001
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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:

<u>Nonmajor Funds</u>	<u>Excess</u>
Auxiliary Services	\$ 4,261
Disadvantaged Pupil Impact Aid	11,880
Innovative Education Programs	3,022
Continuous Improvement	1,443
SchoolNet	15,000

With appropriations exceeding estimated resources the District may spend more funds than in the Treasury or process of collection and cause fund deficits.

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, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2004**

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

Finding Number	2004-LLSD-002
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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 exceeding appropriations in the following funds:

<u>Nonmajor Funds</u>	<u>Excess</u>
Public School Fund	\$ 8,947
District Managed Student Activity	36,786
Ohio Reads	13,646
Summer Intervention	24,478
Title I (Migrant)	2,373
Special Education	29,109
Title V	726
Drug-Free Schools	763
Improve Teacher Quality	2,720
Miscellaneous Federal	2,083
SchoolNet	10,585
Food Service	68,754
Employee Benefits	11,511

With expenditures exceeding appropriations, the District is unlawfully expending monies that have not been appropriated. This could result in unnecessary purchases or fund deficits.

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.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2004**

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

Finding Number	2003-LLSD-003
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Ohio Revised Code Section 5705.10 in part requires that money paid into any fund shall be expended only after such fund receives monies.

It was noted during the audit that at June 30, 2004, the District maintained negative cash fund balances in the following funds.

<u>Nonmajor Funds</u>	<u>Excess</u>
District Managed Student Activity	\$ 7,660
Auxiliary Services	7,226
Management Information Systems	2,095
SchoolNet	25,585
Summer Intervention	18,206
Special Education	8,800
Innovative Education Program	2,058
Continuous Improvement	1,443

The District has spent monies not available to that fund and thus causing noncompliance. No fund should have a negative cash fund balance throughout the year or at year end. This causes funds to spend other funds balances.

We recommend that the District properly expend monies only after funds have been received and subsequent to proper appropriation. If funds are anticipated, but not yet received and expenditures are necessary, the District should advance or transfer funds from the General Fund with proper Board approval.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2004**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2004-LLSD-004
CFDA Title and Number	CFDA #84.010 – Title I
Federal Award Number/Year	049569-C1-S1-2003 049569-C1-S1-2004
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Non-compliance Finding

OMB A-133 requires that target assistance, Title I District’s establish and maintain a priority list in order to determine eligibility for serving students.

It was noted during the audit that the District did not maintain a priority list by grade and follow that list in order to serve its students needs.

We recommend the District implement policies, procedures, attend training sessions and contact Ohio Department of Education to ensure that priority lists are maintained, procedures for developing the priority lists are documented and student selection for service is documented. Further, all supporting documentation should be maintained in an easily accessible format. This will ensure that the students with the most need are being serviced with Title I funds.

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

**STATUS OF PRIOR AUDIT FINDING
OMB CIRCULAR A-133 § .505
JUNE 30, 2004**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-LLSD-001	Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed estimated resources.	No	The District Treasurer is keeping more accurate appropriation versus estimated resources records and attempting to modify amounts more frequently.
2003-LLSD-002	Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.	No	The District Treasurer is keeping more accurate appropriation versus expenditure records and attempting to modify amounts with proper Board approval more frequently.
2003-LLSD-003	Ohio Revised Code Section 5705.10 in part requires that money paid into any fund shall be expended only after such fund receives monies.	No	The District Treasurer will seek Board approval to advance monies from the general fund when funds are negative.



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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
MARCH 29, 2005**