

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

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

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010***

**SCOTT OSBORNE, TREASURER**





# Dave Yost • Auditor of State

Board of Education  
Lucas Local School District  
84 Lucas North Road  
Lucas, Ohio 44843

We have reviewed the *Independent Auditor's Report* of the Lucas Local School District, Richland County, prepared by Julian & Grube, Inc., for the audit period July 1, 2009 through June 30, 2010. 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 Lucas Local School District is responsible for compliance with these laws and regulations.

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Dave Yost  
Auditor of State

March 1, 2011

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**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

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**Julian & Grube, Inc.**  
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Board of Education  
Lucas Local School District  
84 Lucas North Road  
Lucas, Ohio 44843

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Lucas Local School District, Richland County, Ohio, as of and for the fiscal year ended June 30, 2010, which collectively comprise the Lucas Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lucas Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 Lucas Local School District, as of June 30, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2010 on our consideration of the Lucas Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Independent Auditor's Report  
Lucas Local School District  
Page Two

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

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

Julian & Grube, Inc.  
December 30, 2010

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The management's discussion and analysis of the Lucas 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, 2010. 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 fiscal year 2010 are as follows:

- In total, net assets of governmental activities increased \$256,715 which represents a 6.11% increase from 2009.
- General revenues accounted for \$5,007,653 in revenue or 84.20% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$939,435 or 15.80% of total revenues of \$5,947,088.
- The District had \$5,690,373 in expenses related to governmental activities; \$939,435 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$5,007,653 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$5,118,344 in revenues and \$4,922,756 in expenditures and other financing uses. During fiscal year 2010, the general fund's fund balance increased \$195,588 from \$2,652,152 to \$2,847,740.

**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.

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**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 2010?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

***Fund Financial Statements***

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's 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 medical/surgical and dental self-insurance. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

***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.

***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 25-51 of this report.

**The District as a Whole**

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

The table below provides a summary of the District's net assets at June 30, 2010 and June 30, 2009.

	<b>Net Assets</b>	
	Governmental Activities 2010	Governmental Activities 2009
<b><u>Assets</u></b>		
Current and other assets	\$ 5,732,138	\$ 5,911,008
Capital assets, net	<u>1,146,460</u>	<u>1,150,130</u>
Total assets	<u>6,878,598</u>	<u>7,061,138</u>
<b><u>Liabilities</u></b>		
Current liabilities	2,231,953	2,671,088
Long-term liabilities	<u>189,405</u>	<u>189,525</u>
Total liabilities	<u>2,421,358</u>	<u>2,860,613</u>
<b><u>Net Assets</u></b>		
Invested in capital assets	1,146,460	1,150,130
Restricted	757,613	759,716
Unrestricted	<u>2,553,167</u>	<u>2,290,679</u>
Total net assets	<u>\$ 4,457,240</u>	<u>\$ 4,200,525</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$4,457,240. Of this total, \$2,553,167 is unrestricted in use.

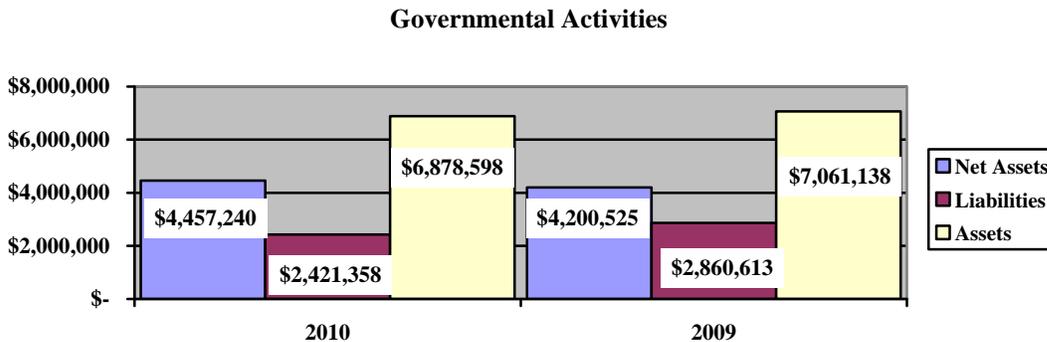
**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

At fiscal year-end, capital assets represented 16.67% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of accumulated depreciation, at June 30, 2010, were \$1,146,460. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net assets, \$757,613 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$2,553,167 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below presents the District's governmental activities assets, liabilities and net assets at June 30, 2010 and 2009:



The table below shows the change in net assets for fiscal year 2010 and 2009.

	<b>Change in Net Assets</b>	
	Governmental Activities 2010	Governmental Activities 2009
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 386,289	\$ 281,815
Operating grants and contributions	553,146	534,227
Capital grants and contributions	-	6,223
General revenues:		
Property taxes	2,544,274	2,429,487
Grants and entitlements	2,418,730	2,430,802
Investment earnings	23,034	80,065
Other	21,615	84,168
<b>Total revenues</b>	<b>5,947,088</b>	<b>5,846,787</b>

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Change in Net Assets**

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 2,155,350	\$ 2,160,746
Special	640,346	459,156
Vocational	327	4,409
Other	448,573	480,089
Support services:		
Pupil	85,586	63,279
Instructional staff	240,987	200,680
Board of education	20,523	18,098
Administration	568,715	528,741
Fiscal	227,527	235,713
Operations and maintenance	588,617	434,469
Pupil transportation	249,547	340,667
Central	82,890	45,412
Operations of non-instructional services:		
Food service operations	187,502	200,991
Other non-instructional services	1,544	1,318
Extracurricular activities	<u>192,339</u>	<u>169,734</u>
Total expenses	<u>5,690,373</u>	<u>5,343,502</u>
Change in net assets	256,715	503,285
Net assets at beginning of year	<u>4,200,525</u>	<u>3,697,240</u>
Net assets at end of year	<u>\$ 4,457,240</u>	<u>\$ 4,200,525</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$256,715. Total governmental expenses of \$5,690,373 were offset by program revenues of \$939,435 and general revenues of \$5,007,653. Program revenues supported 16.51% 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 83.45% of total governmental revenue.

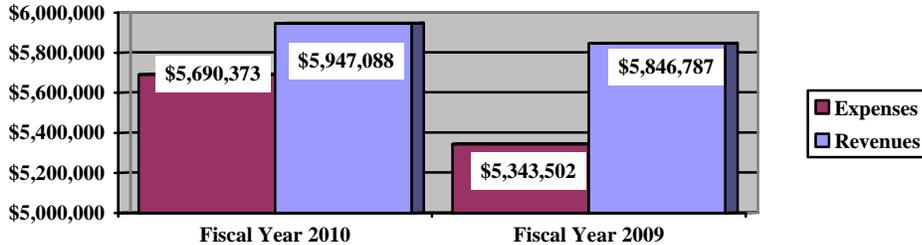
The largest expense of the District is for instructional programs. Instruction expenses totaled \$3,244,596 or 57.02% of total governmental expenses for fiscal year 2010.

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2010 and 2009.

**Governmental Activities - Revenues and Expenses**



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

**Governmental Activities**

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
<b>Program expenses</b>				
Instruction:				
Regular	\$ 2,155,350	\$ 1,938,696	\$ 2,160,746	\$ 2,024,198
Special	640,346	387,648	459,156	129,622
Vocational	327	(1,725)	4,409	2,373
Other	448,573	435,394	480,089	480,089
Support services:				
Pupil	85,586	85,586	63,279	61,682
Instructional staff	240,987	238,437	200,680	200,680
Board of education	20,523	20,523	18,098	18,098
Administration	568,715	423,785	528,741	497,967
Fiscal	227,527	224,807	235,713	226,713
Operations and maintenance	588,617	573,663	434,469	432,583
Pupil transportation	249,547	238,698	340,667	320,109
Central	82,890	80,200	45,412	40,380
Operations of non-instructional services:				
Food service operations	187,502	(19,077)	200,991	(5,711)
Other non-instructional services	1,544	1,544	1,318	1,318
Extracurricular activities	192,339	122,759	169,734	91,136
<b>Total expenses</b>	<u>\$ 5,690,373</u>	<u>\$ 4,750,938</u>	<u>\$ 5,343,502</u>	<u>\$ 4,521,237</u>

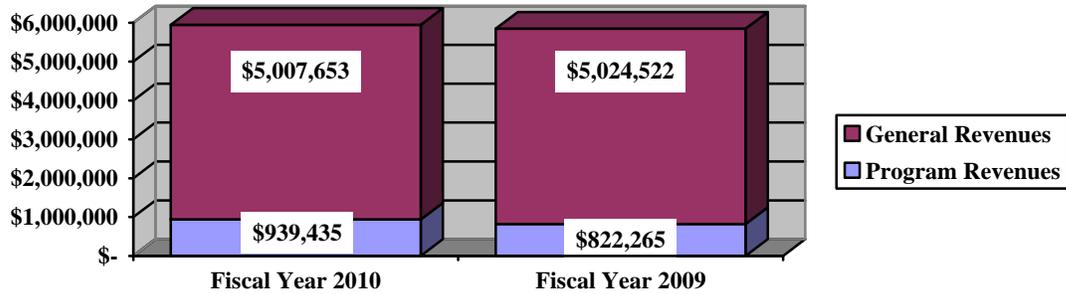
The dependence upon tax and other general revenues for governmental activities is apparent, 85.06% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 83.49%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio are by far the primary support for District's students.

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The graph below presents the District's governmental activities revenue for fiscal year 2010 and 2009.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$3,183,292 which is higher than last year's total of \$3,049,946. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance June 30, 2010	Fund Balance June 30, 2009	Increase	Percentage Change
General	\$ 2,847,740	\$ 2,652,152	\$ 195,588	7.37 %
Other Governmental	<u>335,552</u>	<u>397,794</u>	<u>(62,242)</u>	(15.65) %
Total	<u>\$ 3,183,292</u>	<u>\$ 3,049,946</u>	<u>\$ 133,346</u>	4.37 %

**General Fund**

The District's general fund balance increased \$195,588.

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 2,493,429	\$ 2,417,772	\$ 75,657	3.13 %
Tuition	135,413	29,971	105,442	351.81 %
Earnings on investments	22,672	83,071	(60,399)	(72.71) %
Intergovernmental	2,431,631	2,584,151	(152,520)	(5.90) %
Other revenues	<u>35,199</u>	<u>104,853</u>	<u>(69,654)</u>	<u>(66.43) %</u>
Total	<u>\$ 5,118,344</u>	<u>\$ 5,219,818</u>	<u>\$ (101,474)</u>	<u>(1.94) %</u>
<b><u>Expenditures</u></b>				
Instruction	\$ 2,872,968	\$ 2,915,616	\$ (42,648)	(1.46) %
Support services	1,917,122	1,809,617	107,505	5.94 %
Non-instructional services	1,544	1,318	226	17.15 %
Extracurricular activities	<u>106,122</u>	<u>118,975</u>	<u>(12,853)</u>	<u>(10.80) %</u>
Total	<u>\$ 4,897,756</u>	<u>\$ 4,845,526</u>	<u>\$ 52,230</u>	<u>1.08 %</u>

Revenues of the general fund remained relatively consistent with 2009 with an overall decrease of \$101,474 or 1.94%. The increase of \$105,442 or 351.81% in tuition revenue was due to an increase in tuition charged to students outside the District as well as an increase in the number of students who were required to pay tuition. The decrease in earnings on investments of \$60,399 or 72.71% can be attributed to the decrease in investments during the fiscal year as well as the decrease in interest rates. Intergovernmental revenue decreased due to a decrease in State of Ohio Foundation funding. The decrease in other revenues of \$69,654 or 66.43% is due to a decrease in donations and other miscellaneous revenues to the District.

Overall, expenditures of the general fund increased \$52,230 or 1.08% which are similar to prior year. The District's expenditures remained consistent with prior year due to cost containment measures implemented by the District.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2010, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$5,110,421 and final budgeted revenues and other financing sources were \$5,660,421. Actual revenues for fiscal 2010 were \$5,218,983. This represents a \$441,438 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$5,302,476 were increased to \$5,852,476 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2010 totaled \$5,014,725, which was \$837,751 less than the final budget appropriations.

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**Capital Assets and Debt Administration**

*Capital Assets*

At June 30, 2010, the District had \$1,146,460 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

The following table shows fiscal year 2010 balances compared to 2009:

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

	Governmental Activities	
	2010	2009
Land	\$ 328,875	\$ 328,875
Land improvements	5,117	2,582
Building and improvements	444,219	493,864
Furniture and equipment	141,534	127,860
Vehicles	226,715	196,949
Total	\$ 1,146,460	\$ 1,150,130

The overall decrease in capital assets of \$3,670 is due to depreciation expense of \$136,431 exceeding capital outlays of \$132,761 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, 2010, the District had no debt outstanding.

**Current Financial Related Activities**

The Board's five-year forecast indicates the District will require no new additional operating money for fiscal year 2011 through fiscal year 2014 based on current assumptions and conditions. With careful management, additional reductions in spending, and the passage of a renewal levy in May 2010, the District will not require additional operating money until 2015. The District will be entering a contract year with employees that expired June 30, 2010. At this time, the District does not have a new negotiated contract with teachers and is in the process of negotiating. Also, the District will require the renewal of one levy in fiscal year 2012. This levy amounts to \$292,000 per year. It will be vital that this levy be renewed.

A finance committee was created and it is made up of several community members, board members, superintendent and the treasurer. The committee is reviewing and learning about spending decisions made by the District in an effort to better understand the complexities of school funding and the fiscal position of the District, as well as the levy that expires in 2012. The committee is also researching alternative funding for the District.

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The District faces several challenges: the aging facilities, the future of state funding and declining enrollment. The District currently loses in excess of \$200,000 per year to open enrollment and community schools. In May 2008, the District decided to allow incoming open enrollment students from surrounding Districts to help increase funding. This was done for a one-year trial period subject to annual approval. Due to the positive experience with allowing incoming open-enrollment students in fiscal year 2009, the Board approved renewal of the open enrollment policy for fiscal year 2010 and again in fiscal year 2011. As a result of these challenges, all of the District's financial abilities will be called upon to meet these challenges. It is imperative the District's Board and management team continue to carefully and prudently plan in order to provide the resources required to meet the student's desired needs over the next several years.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Scott Osborne, Lucas Local School District, 84 Lucas North Road, Lucas, Ohio 44843-9532.

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2010

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments. . . . .	\$ 3,473,438
Receivables:	
Property taxes . . . . .	2,109,515
Accounts. . . . .	6,774
Accrued interest . . . . .	7,627
Intergovernmental . . . . .	117,221
Loans . . . . .	3,321
Prepayments . . . . .	2,052
Materials and supplies inventory. . . . .	12,190
Capital assets:	
Land . . . . .	328,875
Depreciable capital assets, net. . . . .	817,585
Capital assets, net . . . . .	1,146,460
 Total assets. . . . .	 6,878,598
 <b>Liabilities:</b>	
Accounts payable. . . . .	14,623
Accrued wages and benefits . . . . .	327,223
Pension obligation payable. . . . .	150,894
Intergovernmental payable . . . . .	18,058
Unearned revenue . . . . .	1,705,171
Claims payable. . . . .	15,984
Long-term liabilities:	
Due within one year. . . . .	31,961
Due in more than one year . . . . .	157,444
 Total liabilities . . . . .	 2,421,358
 <b>Net Assets:</b>	
Invested in capital assets . . . . .	1,146,460
Restricted for:	
Capital projects . . . . .	20,284
Locally funded programs . . . . .	9,812
State funded programs. . . . .	16,240
Federally funded programs . . . . .	149,160
Public school support . . . . .	34,075
Student activities . . . . .	52,872
Other purposes . . . . .	475,170
Unrestricted . . . . .	2,553,167
 Total net assets . . . . .	 \$ 4,457,240

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 2,155,350	\$ 156,867	\$ 59,787	\$ (1,938,696)
Special . . . . .	640,346	-	252,698	(387,648)
Vocational . . . . .	327	-	2,052	1,725
Other . . . . .	448,573	-	13,179	(435,394)
Support services:				
Pupil . . . . .	85,586	-	-	(85,586)
Instructional staff . . . . .	240,987	-	2,550	(238,437)
Board of education . . . . .	20,523	-	-	(20,523)
Administration . . . . .	568,715	30,327	114,603	(423,785)
Fiscal . . . . .	227,527	-	2,720	(224,807)
Operations and maintenance . . . . .	588,617	1,625	13,329	(573,663)
Pupil transportation . . . . .	249,547	-	10,849	(238,698)
Central . . . . .	82,890	-	2,690	(80,200)
Operation of non-instructional services:				
Food service operations . . . . .	187,502	128,149	78,430	19,077
Other non-instructional services . . . . .	1,544	-	-	(1,544)
Extracurricular activities . . . . .	192,339	69,321	259	(122,759)
<b>Total governmental activities . . . . .</b>	<b>\$ 5,690,373</b>	<b>\$ 386,289</b>	<b>\$ 553,146</b>	<b>(4,750,938)</b>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				2,544,274
Grants and entitlements not restricted to specific programs . . . . .				2,418,730
Investment earnings . . . . .				23,034
Miscellaneous . . . . .				21,615
<b>Total general revenues . . . . .</b>				<b>5,007,653</b>
Change in net assets . . . . .				256,715
<b>Net assets at beginning of year . . . . .</b>				<b>4,200,525</b>
<b>Net assets at end of year . . . . .</b>				<b>\$ 4,457,240</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and investments . . . . .	\$ 2,511,614	\$ 557,850	\$ 3,069,464
Receivables:			
Property taxes . . . . .	2,109,515	-	2,109,515
Accounts . . . . .	6,774	-	6,774
Accrued interest . . . . .	7,627	-	7,627
Loans . . . . .	3,321	-	3,321
Interfund loans . . . . .	153,523	-	153,523
Intergovernmental . . . . .	-	117,221	117,221
Prepayments . . . . .	2,052	-	2,052
Materials and supplies inventory . . . . .	-	12,190	12,190
Restricted assets:			
Equity in pooled cash and investments . . . . .	366,719	-	366,719
Total assets . . . . .	<u>\$ 5,161,145</u>	<u>\$ 687,261</u>	<u>\$ 5,848,406</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 14,623	\$ -	\$ 14,623
Accrued wages and benefits . . . . .	308,332	18,891	327,223
Pension obligation payable . . . . .	144,598	6,296	150,894
Intergovernmental payable . . . . .	12,705	5,353	18,058
Interfund loans payable . . . . .	-	153,523	153,523
Deferred revenue . . . . .	178,401	117,221	295,622
Unearned revenue . . . . .	1,654,746	50,425	1,705,171
Total liabilities . . . . .	<u>2,313,405</u>	<u>351,709</u>	<u>2,665,114</u>
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	101,411	116,825	218,236
Reserved for materials and supplies inventory . . . . .	-	12,190	12,190
Reserved for prepayments . . . . .	2,052	-	2,052
Reserved for property tax unavailable for appropriation . . . . .	278,998	-	278,998
Reserved for instructional materials . . . . .	366,719	-	366,719
Unreserved, undesignated, reported in:			
General fund . . . . .	2,098,560	-	2,098,560
Special revenue funds . . . . .	-	196,853	196,853
Capital projects funds . . . . .	-	9,684	9,684
Total fund balances . . . . .	<u>2,847,740</u>	<u>335,552</u>	<u>3,183,292</u>
Total liabilities and fund balances . . . . .	<u>\$ 5,161,145</u>	<u>\$ 687,261</u>	<u>\$ 5,848,406</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2010

<b>Total governmental fund balances</b>		\$	3,183,292
<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.			1,146,460
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property taxes receivable	\$	175,771	
Intergovernmental receivable		117,221	
Accrued interest receivable		2,630	
Total			295,622
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.			21,271
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.			(189,405)
<b>Net assets of governmental activities</b>		<b>\$</b>	<b>4,457,240</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Property taxes . . . . .	\$ 2,493,429	\$ -	\$ 2,493,429
Tuition . . . . .	135,413	-	135,413
Earnings on investments . . . . .	22,672	198	22,870
Charges for services . . . . .	-	125,536	125,536
Extracurricular . . . . .	-	104,051	104,051
Classroom materials and fees . . . . .	13,955	5,709	19,664
Rental income . . . . .	1,625	-	1,625
Contributions and donations . . . . .	-	6,672	6,672
Other local revenues . . . . .	19,619	1,996	21,615
Intergovernmental - intermediate . . . . .	-	12,001	12,001
Intergovernmental - state . . . . .	2,431,631	13,287	2,444,918
Intergovernmental - federal . . . . .	-	463,081	463,081
Total revenues . . . . .	<u>5,118,344</u>	<u>732,531</u>	<u>5,850,875</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	2,047,529	103,624	2,151,153
Special . . . . .	383,180	269,171	652,351
Vocational . . . . .	72	-	72
Other . . . . .	442,187	6,386	448,573
Support services:			
Pupil . . . . .	85,586	-	85,586
Instructional staff . . . . .	226,730	2,410	229,140
Board of education . . . . .	20,523	-	20,523
Administration . . . . .	479,222	89,150	568,372
Fiscal . . . . .	219,989	5,961	225,950
Operations and maintenance . . . . .	543,605	33,413	577,018
Pupil transportation . . . . .	280,022	-	280,022
Central . . . . .	61,445	22,734	84,179
Operation of non-instructional services:			
Food service operations . . . . .	-	203,425	203,425
Other non-instructional services . . . . .	1,544	-	1,544
Extracurricular activities . . . . .	106,122	83,499	189,621
Total expenditures . . . . .	<u>4,897,756</u>	<u>819,773</u>	<u>5,717,529</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>220,588</u>	<u>(87,242)</u>	<u>133,346</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	25,000	25,000
Transfers (out) . . . . .	<u>(25,000)</u>	<u>-</u>	<u>(25,000)</u>
Total other financing sources (uses) . . . . .	<u>(25,000)</u>	<u>25,000</u>	<u>-</u>
Net change in fund balances . . . . .	195,588	(62,242)	133,346
<b>Fund balances at beginning of year . . . . .</b>	<u>2,652,152</u>	<u>397,794</u>	<u>3,049,946</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 2,847,740</u>	<u>\$ 335,552</u>	<u>\$ 3,183,292</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND 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, 2010

**Net change in fund balances - total governmental funds** \$ 133,346

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

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 depreciation expense exceeds capital outlays in the current period.

Capital asset additions	\$	132,761	
Current year depreciation		(136,431)	
Total			(3,670)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes		50,845	
Intergovernmental		45,006	
Earnings on investments		290	
Total			96,141

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 120

The internal service fund used by management to charge the costs of 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. 30,778

**Change in net assets of governmental activities** \$ 256,715

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND 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, 2010

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 2,550,681	\$ 2,825,195	\$ 2,604,866	\$ (220,329)
Tuition. . . . .	132,596	146,867	135,413	(11,454)
Earnings on investments . . . . .	18,076	20,021	18,460	(1,561)
Classroom materials and fees . . . . .	13,665	15,135	13,955	(1,180)
Rental income . . . . .	1,591	1,762	1,625	(137)
Other local revenues . . . . .	12,516	13,863	12,782	(1,081)
Intergovernmental - state . . . . .	2,381,050	2,637,306	2,431,631	(205,675)
Total revenues . . . . .	<u>5,110,175</u>	<u>5,660,149</u>	<u>5,218,732</u>	<u>(441,417)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	2,127,859	2,353,446	2,056,843	296,603
Special. . . . .	437,533	481,147	397,661	83,486
Other. . . . .	447,072	495,786	444,157	51,629
Support Services:				
Pupil. . . . .	92,715	101,588	80,894	20,694
Instructional staff . . . . .	239,921	264,330	222,547	41,783
Board of education . . . . .	29,852	32,463	23,805	8,658
Administration. . . . .	521,663	575,807	493,666	82,141
Fiscal . . . . .	251,867	277,421	232,992	44,429
Operations and maintenance. . . . .	606,252	668,375	566,422	101,953
Pupil transportation . . . . .	335,393	368,472	301,604	66,868
Central. . . . .	75,536	82,286	61,540	20,746
Operation of non-instructional services . . . . .	5,552	5,736	1,685	4,051
Extracurricular activities. . . . .	106,194	117,810	105,909	11,901
Total expenditures . . . . .	<u>5,277,409</u>	<u>5,824,667</u>	<u>4,989,725</u>	<u>834,942</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(167,234)</u>	<u>(164,518)</u>	<u>229,007</u>	<u>393,525</u>
<b>Other financing sources (uses):</b>				
Transfers (out). . . . .	(25,067)	(27,809)	(25,000)	2,809
Sale of assets . . . . .	246	272	251	(21)
Total other financing sources (uses) . . . . .	<u>(24,821)</u>	<u>(27,537)</u>	<u>(24,749)</u>	<u>2,788</u>
Net change in fund balance . . . . .	(192,055)	(192,055)	204,258	396,313
<b>Fund balance at beginning of year . . . . .</b>	2,268,834	2,268,834	2,268,834	-
<b>Prior year encumbrances appropriated . . . . .</b>	274,268	274,268	274,268	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 2,351,047</u>	<u>\$ 2,351,047</u>	<u>\$ 2,747,360</u>	<u>\$ 396,313</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2010

	<u><b>Governmental Activities - Internal Service Fund</b></u>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and investments . . . . .	\$ 37,255
Total assets. . . . .	<u>37,255</u>
<b>Liabilities:</b>	
Claims payable . . . . .	<u>15,984</u>
Total liabilities . . . . .	<u>15,984</u>
<b>Net assets:</b>	
Unrestricted. . . . .	<u>21,271</u>
Total net assets . . . . .	<u>\$ 21,271</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Sales/charges for services . . . . .	\$ 526,303
Total operating revenues . . . . .	<u>526,303</u>
 <b>Operating expenses:</b>	
Purchased services . . . . .	110,710
Claims . . . . .	<u>384,887</u>
Total operating expenses . . . . .	<u>495,597</u>
 Operating income . . . . .	 <u>30,706</u>
 <b>Nonoperating revenues:</b>	
Interest revenue . . . . .	 <u>72</u>
 Change in net assets . . . . .	 30,778
 <b>Net assets (deficit) at beginning of year . .</b>	 <u>(9,507)</u>
 <b>Net assets at end of year . . . . .</b>	 <u>\$ 21,271</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from sales/charges for services . . . . .	\$ 526,303
Cash payments for purchased services . . . . .	(110,710)
Cash payments for claims . . . . .	(396,730)
	18,863
Net cash provided by operating activities . . . . .	18,863
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	72
	72
Net cash provided by investing activities . . . . .	72
Net increase in cash and cash cash equivalents . . . . .	18,935
<b>Cash and cash equivalents at beginning of year . . .</b>	<b>18,320</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 37,255</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income . . . . .	\$ 30,706
Changes in assets and liabilities: (Decrease) in claims payable . . . . .	(11,843)
	(11,843)
Net cash provided by operating activities . . . . .	\$ 18,863

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2010

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and investments . . . . .	\$ 61,777	\$ 25,775
Total assets. . . . .	<u>61,777</u>	<u>25,775</u>
<b>Liabilities:</b>		
Loans payable . . . . .	-	\$ 3,321
Due to students. . . . .	-	<u>22,454</u>
Total liabilities . . . . .	<u>-</u>	<u>\$ 25,775</u>
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	<u>61,777</u>	
Total net assets . . . . .	<u>\$ 61,777</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Gifts and contributions. . . . .	\$ 7,393
Total additions. . . . .	7,393
<b>Deductions:</b>	
Scholarships awarded . . . . .	2,250
Change in net assets. . . . .	5,143
<b>Net assets at beginning of year . . . . .</b>	<b>56,634</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 61,777</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

The Lucas Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District ranks as the 603<sup>rd</sup> largest by total enrollment among the 905 public school districts and community schools in the State of Ohio. The District operates under a locally-elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by State and/or federal agencies. This Board controls the district's 4 instructional/support facilities staffed by 46 non-certified and 42 certificated full-time employees.

**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) guidance issued on or before November 30, 1989, to its governmental activities and to its proprietary fund provided it does not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

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

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

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

*JOINTLY GOVERNED ORGANIZATION*

Heartland Council of Governments/North Central Ohio Computer Cooperative (the "COG")

The COG is a jointly governed organization among 16 school districts, 1 educational service center and a career center. The COG is an association of public school districts within the boundaries of Ashland, Crawford, Huron, Marion, Morrow, Richland, Seneca, and Wyandot counties. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each member school district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Cooperative Assembly consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Cooperative Assembly. During fiscal year 2010, the District paid \$37,615 to the COG for various services. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

*PURCHASING POOLS*

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

Metropolitan Education Council Purchasing Group

The District is a member of the Metropolitan Educational Council (MEC) purchasing group. The following items are purchased through this group discount program: custodial products, food service products, audio visual bulbs, and certain paper products. The MEC also provides a Self-Help Gas Program where members save significant amounts on natural gas purchases.

**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.

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; and (b) grants and other resources whose use is restricted to a particular purpose, and (c) food service operations.

***PROPRIETARY FUND***

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

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

**LUCAS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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

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

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

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

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

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

**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.

**LUCAS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, 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.

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

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2010, are recorded as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used 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 on the governmental fund financial statements.

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

**LUCAS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

**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 2010 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Richland County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended certificate of estimated resources issued for fiscal year 2010.
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.
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, 2010. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.

**LUCAS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

8. Unencumbered appropriations lapse at fiscal year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

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

During fiscal year 2010, investments were limited to STAR Ohio, Federal Home Loan Bank (FHLB) securities, Federal National Mortgage Association (FNMA) securities, Federal Farm Credit Bank (FFCB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, non-negotiable certificates of deposit, and negotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2010. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2010.

Under existing Ohio statutes, all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$22,672 which includes \$9,542 assigned from other District funds.

For purposes of the statement of cash flows and for presentation on the statement of net assets, 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, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method on the fund statements and on the government-wide statements.

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

**LUCAS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

**H. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. 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 disposals 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.

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>	<u>Governmental Activities Estimated Lives</u>
Land improvements	15 - 25 years
Buildings and improvements	15 - 40 years
Furniture and equipment	5 - 20 years
Vehicles	8 - 15 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from long-term interfund loans are classified as "interfund loans receivable/payable". These amounts are eliminated in the governmental activities column on the statement of net assets.

Receivables resulting from loans to the agency fund are reported as loans receivable on the governmental fund financial statements.

**J. Compensated Absences**

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

**LUCAS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2010, by those employees who are currently eligible to receive termination (sick leave) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2010 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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

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

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

**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 unavailable for appropriation and instructional materials. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

**LUCAS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include monies restricted by State statute for the purchase of textbook and instructional materials, food service operations, special trust and special enterprise.

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

**N. 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.

**O. 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.

**P. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a textbook reserve. This reserve is required by State statute. A schedule of statutory reserves and detail on the District's restricted assets is presented in Note 16.

**Q. 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.

**LUCAS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

**R. 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 2010.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

**LUCAS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

**B. Deficit Fund Balances**

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Uniform school supplies	\$ 3,318
SchoolNet professional development	32
Student intervention	31
Title I, disadvantaged children	20,600
Improving teacher quality	5,017
Miscellaneous federal grants	26,344

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 to record advances in as an interfund loan under GAAP rather than as an other financing source.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

**LUCAS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items 1 and 2 above, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**A. Cash on Hand**

At June 30, 2010, the District had \$100 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

**B. Deposits with Financial Institutions**

At June 30, 2010, the carrying amount of all District deposits was \$1,668,774. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$1,241,899 of the District's bank balance of \$1,859,865 was exposed to custodial risk as discussed below, while \$617,966 was covered by the FDIC.

**LUCAS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

**C. Investments**

As of June 30, 2010, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FHLB	\$ 704,360	\$ -	\$ -	\$ 100,000	\$ 50,219	\$ 554,141
FNMA	303,048	-	-	-	-	303,048
FFCB	305,204	-	-	-	50,047	255,157
FHLMC	100,902	-	-	-	-	100,902
STAR Ohio	278,177	278,177	-	-	-	-
Negotiable CD's	200,425	99,822	100,603	-	-	-
Total	<u>\$ 1,892,116</u>	<u>\$ 377,999</u>	<u>\$ 100,603</u>	<u>\$ 100,000</u>	<u>\$ 100,266</u>	<u>\$ 1,213,248</u>

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

*Credit Risk:* The District's investments in federal agency securities were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial risk in that they are uninsured, unregistered and held by the counter party's trust department or agent but not in the District's name. The Negotiable CD's were covered by FDIC. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

**LUCAS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB	\$ 704,360	37.23
FNMA	303,048	16.02
FFCB	305,204	16.13
FHLMC	100,902	5.33
STAR Ohio	278,177	14.70
Negotiable CD's	<u>200,425</u>	<u>10.59</u>
Total	<u>\$ 1,892,116</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2010:

<u>Cash and investments per note</u>		
Carrying amount of deposits	\$ 1,668,774	
Investments	1,892,116	
Cash on hand	<u>100</u>	
Total	<u>\$ 3,560,990</u>	
 <u>Cash and investments per statement of net assets</u>		
Governmental activities	\$ 3,473,438	
Private-purpose trust fund	61,777	
Agency fund	<u>25,775</u>	
Total	<u>\$ 3,560,990</u>	

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund balances at June 30, 2010 as reported on the fund financial statements consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 153,523</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

**LUCAS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

- B.** Loans between governmental funds and the agency fund are reported as “loans receivable/payable” on the financial statements. The District had the following loan outstanding at fiscal year end:

<u>Loan from</u>	<u>Loan to</u>	<u>Amount</u>
General	Agency	<u>\$ 3,321</u>

This loan is expected to be repaid in the subsequent year as resources become available in the agency fund.

- C.** Interfund transfers for the year ended June 30, 2010, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Transfers from general fund to:	
Nonmajor governmental funds	<u>\$ 25,000</u>

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

Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**LUCAS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Richland 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, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$278,998 in the general fund. This amount is recorded as revenue. The amount available for advance at June 30, 2009 was \$390,435 in the general fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 58,656,020	78.61	\$ 58,895,930	78.65
Public utility personal	15,684,210	21.02	15,814,460	21.12
Tangible personal property	<u>273,992</u>	<u>0.37</u>	<u>177,530</u>	<u>0.23</u>
Total	<u>\$ 74,614,222</u>	<u>100.00</u>	<u>\$ 74,887,920</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$49.30		\$49.30	

**LUCAS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2010 consisted of taxes, intergovernmental grants and entitlements, accounts, and accrued interest. 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 items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Property taxes	\$ 2,109,515
Intergovernmental	117,221
Accounts	6,774
Accrued interest	<u>7,627</u>
<b>Total</b>	<b><u>\$ 2,241,137</u></b>

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

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance June 30, 2009	Additions	Disposals	Balance June 30, 2010
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 328,875	\$ -	\$ -	\$ 328,875
<b>Total capital assets, not being depreciated</b>	<u>328,875</u>	<u>-</u>	<u>-</u>	<u>328,875</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	213,854	3,085	-	216,939
Buildings and improvements	2,871,422	-	-	2,871,422
Furniture and equipment	1,421,490	47,476	-	1,468,966
Vehicles	<u>665,100</u>	<u>82,200</u>	<u>-</u>	<u>747,300</u>
<b>Total capital assets, being depreciated</b>	<u>5,171,866</u>	<u>132,761</u>	<u>-</u>	<u>5,304,627</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(211,272)	(550)	-	(211,822)
Buildings and improvements	(2,377,558)	(49,645)	-	(2,427,203)
Furniture and equipment	(1,293,630)	(33,802)	-	(1,327,432)
Vehicles	<u>(468,151)</u>	<u>(52,434)</u>	<u>-</u>	<u>(520,585)</u>
<b>Total accumulated depreciation</b>	<u>(4,350,611)</u>	<u>(136,431)</u>	<u>-</u>	<u>(4,487,042)</u>
<b>Governmental activities capital assets, net</b>	<b><u>\$ 1,150,130</u></b>	<b><u>\$ (3,670)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,146,460</u></b>

**LUCAS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 34,394
Special	3,281
Vocational	1,610
<u>Support services:</u>	
Instructional staff	12,516
Administration	1,121
Fiscal	1,457
Operations and maintenance	12,069
Pupil transportation	51,083
Central	3,419
Extracurricular activities	4,868
Food service operations	<u>10,613</u>
Total depreciation expense	<u>\$ 136,431</u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2010, the following changes occurred in governmental activities long-term obligations:

	Balance			Balance	Amounts
	<u>June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2010</u>	<u>Due in</u>
					<u>One Year</u>
<b>Governmental activities:</b>					
Compensated absences	<u>\$ 189,525</u>	<u>\$ 32,554</u>	<u>\$ (32,674)</u>	<u>\$ 189,405</u>	<u>\$ 31,961</u>
Total long-term obligations, governmental activities	<u>\$ 189,525</u>	<u>\$ 32,554</u>	<u>\$ (32,674)</u>	<u>\$ 189,405</u>	<u>\$ 31,961</u>

Compensated absences will be paid primarily from the general fund.

**LUCAS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

**B. Legal Debt Margin**

The Ohio Revised Code (ORC) provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The ORC further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The ORC additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2010, are a voted debt margin of \$6,732,119 and an unvoted debt margin of \$74,801.

**NOTE 10 - COMPENSATED ABSENCES**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn 5 to 20 days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Administrators who are contracted to work 260 days in a year are given 15 to 20 days of vacation per year by contract. Any unused vacation days at the end of the contract are forfeited. The only exception is the Superintendent who can carry over up to 10 days at the end of his contract, and the Treasurer who can carry over up to 5 days at the end of his contract. Teachers do not earn vacation time.

Administrators, teachers, and classified employees earn sick leave at a rate of 1 and 1/4 days per month. Sick leave may be accumulated up to 240 days. Upon retirement, payment is made to employees with 10 or more years of service at the District for 25% of the total sick leave accumulation with a maximum of 60 days payment.

The District offers a one-time exit bonus for all part-time employees with a minimum of 10 consecutive years of experience with the District. Part-time employees who elect this exit bonus must retire with the State Teachers Retirement System of Ohio (STRS Ohio) or School Employees Retirement System of Ohio (SERS). This exit bonus applies only to part-time employees who have not previously retired from STRS Ohio or SERS. Upon retirement, the exit bonus will be calculated on a formula of 25% of the first 120 days of accrued sick leave. This bonus is included as a component of "compensated absences payable" on the basic financial statements. The exit bonus is calculated using the scheduled daily rate of pay at the time of retirement.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - COMPENSATED ABSENCES - (Continued)**

For those part-time who have accrued sick leave beyond 120 days, the following additional formula will apply:

<u>Accumulated sick leave</u>	<u>Exit bonus shall be increased by:</u>	<u>Total exit bonus days</u>
130 - 139 days	1 additional day	31
140 - 149 days	2 additional days	32
150 - 159 days	3 additional days	33
160 - 169 days	4 additional days	34
170 - 179 days	5 additional days	35
180 - 189 days	6 additional days	36
190 - 199 days	7 additional days	37
200 - 209 days	8 additional days	38
210 - 219 days	9 additional days	39
> = 240 days	10 additional days	40

The maximum exit bonus that any employee can earn is forty days.

**NOTE 11 - RISK MANAGEMENT**

**A. Property, Fleet, and Liability Insurance**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the District retained property insurance coverage in the blanket amount of \$18,660,180 with 100% coinsurance, replacement cost endorsement and a \$1,000 deductible. The District also has inland marine floaters in the amount of \$520,620 with a \$500 deductible for coverage of audio visual equipment, two-way radios, tractors, musical instruments and uniforms.

Vehicles are covered by a policy through Indiana Insurance Company, which provides for a \$500 deductible for comprehensive and a \$500 deductible for collision. Vehicle liability has a \$2,000,000 combined single limit of liability.

Indiana Insurance Companies also provide general liability coverage with a \$1,000,000 single occurrence limit and an aggregate of \$5,000,000 with no deductible.

Settled claims have not exceeded coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from last fiscal year.

**B. Employee Dishonesty Bonds**

The District carries employee dishonesty bonds for the Treasurer, Superintendent, and Board President in the amount of \$100,000. Also, an employee blanket dishonesty bond in the amount of \$100,000 is provided to cover all other employees of the District.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - RISK MANAGEMENT – (Continued)**

**C. Workers’ Compensation Plan**

The District participates in the Ohio School Boards Association Workers’ Compensation Group Rating Plan (the “Plan”), an insurance purchasing pool (See Note 2.A.). The Plan’s business and affairs are conducted by a three-member board of directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. 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 Plan to cover the costs of administering the program.

The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The worker’s 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 Plan. Participation in the Plan is limited to school districts that can meet the Plan’s selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the Plan.

**D. Employee Group Medical and Dental Insurance**

Medical and dental insurance is offered to employees through a self-insurance internal service fund. The District maintained its self-insurance program for insurance benefits with American Benefits Management (a third-party administrator). The District has elected to maintain the funds within the District; however, monthly premiums (both employee and employer) portions are paid out of the respective employee funds and paid into the self-insurance fund. The third-party administrator processes the claims which are approved by the District Treasurer. Monies are then transferred to a clearing account and claims are paid.

The claims liability of \$15,984 reported in the internal service fund at June 30, 2010, 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 claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2010	\$ 27,827	\$ 384,887	\$ (396,730)	\$ 15,984
2009	44,000	405,555	(421,728)	27,827

**LUCAS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.74 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$121,389, \$83,290 and \$74,704, respectively; 39.29 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal years 2009 and 2008.

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - PENSION PLANS - (Continued)**

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

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$273,526, \$264,733 and \$261,548, respectively; 83.64 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$11,279 made by the District and \$8,056 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009 and 2008 were \$17,625, \$53,938 and \$45,621, respectively; 39.29 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009 and 2008 were \$7,219, \$6,872 and \$5,383, respectively; 39.29 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal years 2009 and 2008.

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

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009 and 2008 were \$21,040, \$20,364 and \$20,119, respectively; 83.64 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal years 2009 and 2008

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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:

<b>Net Change in Fund Balance</b>	<u>General Fund</u>
Budget basis	\$ 204,258
Net adjustment for revenue accruals	(100,388)
Net adjustment for expenditure accruals	(24,065)
Net adjustment for other sources/uses	(251)
Adjustment for encumbrances	<u>116,034</u>
GAAP basis	<u>\$ 195,588</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.

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 15 - CONTINGENCIES - (Continued)**

**B. Litigation**

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

**NOTE 16 - STATUTORY RESERVES**

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward to be used for the same purposes in future years. During the fiscal year ended June 30, 2010, the reserve activity was as follows:

	<u>Textbook/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2009	\$ 282,657	\$ -
Current year set-aside requirement	84,116	84,116
Qualifying disbursements	<u>(54)</u>	<u>(237,933)</u>
Total	<u>\$ 366,719</u>	<u>\$ (153,817)</u>
Balance carried forward to fiscal year 2011	<u>\$ 366,719</u>	<u>\$ -</u>

The District's qualifying disbursements were not sufficient to reduce the set-aside amounts below zero for the textbooks/instructional materials. The District had qualifying disbursements that reduced the set-aside amount below zero for capital acquisitions; this extra amount can not be carried forward to reduce the set-aside requirement in future years.

A schedule of the restricted assets at June 30, 2010 follows:

Amounts restricted for textbooks	<u>\$ 366,719</u>
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## **SUPPLEMENTARY DATA**

**LUCAS LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(G) PASS-THROUGH GRANT NUMBER	(A) CASH FEDERAL RECEIPTS	(A) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>				
<b>Nutrition Grant Cluster:</b>				
(C)(D) School Breakfast Program	10.553	2010	\$ 6,801	\$ 6,801
<b>Total School Breakfast Program</b>			<u>6,801</u>	<u>6,801</u>
(B)(D) National School Lunch Program - Food Donation	10.555	2010	12,750	12,750
(C)(D) National School Lunch Program	10.555	2010	57,253	57,253
<b>Total National School Lunch Program</b>			<u>70,003</u>	<u>70,003</u>
<b>Total U.S. Department of Agriculture and Nutrition Grant Cluster</b>			<u>76,804</u>	<u>76,804</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>				
<b>Title I Grant Cluster</b>				
(E) Title I Grants to Local Educational Agencies	84.010	2009	63,065	12,064
(E) Title I Grants to Local Educational Agencies	84.010	2010	45,126	41,266
<b>Total Title I Grants to Local Educational Agencies</b>			<u>108,191</u>	<u>53,330</u>
(E) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	28,945	28,944
<b>Total Title I Grant Cluster</b>			<u>137,136</u>	<u>82,274</u>
<b>Special Education Grant Cluster</b>				
(F) Special Education_Grants to States	84.027	2009	99,235	36,962
(F) Special Education_Grants to States	84.027	2010	60,071	42,687
<b>Total Special Education _Grants to States</b>			<u>159,306</u>	<u>79,649</u>
(F) ARRA - Special Education Grants to States, Recovery Act	84.391	2010	108,552	122,138
<b>Total Special Education Grant Cluster</b>			<u>267,858</u>	<u>201,787</u>
Safe and Drug-Free Schools and Communities_State Grants	84.186	2009	1,299	-
Safe and Drug-Free Schools and Communities_State Grants	84.186	2010	1,551	-
<b>Total Safe and Drug-Free Schools and Communities_State Grants</b>			<u>2,850</u>	<u>-</u>
State Grants for Innovative Programs	84.298	2008	-	856
State Grants for Innovative Programs	84.298	2009	363	1,584
<b>Total State Grants for Innovative Programs</b>			<u>363</u>	<u>2,440</u>
Education Technology State Grants	84.318	2009	591	787
Education Technology State Grants	84.318	2010	621	545
<b>Total Education Technology State Grants</b>			<u>1,212</u>	<u>1,332</u>
(H) Rural Education	84.358	N/A	32,977	71,609
Improving Teacher Quality State Grants	84.367	2009	17,367	15,069
Improving Teacher Quality State Grants	84.367	2010	18,503	8,207
<b>Total Improving Teacher Quality State Grants</b>			<u>35,870</u>	<u>23,276</u>
ARRA - State Fiscal Stabilization Funds (SFSF) - Education State Grants, Recovery Act	84.394	2010	140,914	68,009
<b>Total U.S. Department of Education</b>			<u>619,180</u>	<u>450,727</u>
<b>Total of all Federal</b>			<u>\$ 695,984</u>	<u>\$ 527,531</u>

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:**

- (A) This schedule was prepared on the cash basis of accounting
- (B) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value
- (C) Commingled with state and local revenue from sales of breakfasts and lunches; assumed expenditures were made on a first-in, first-out basis
- (D) Included as part of "Nutrition Grant Cluster" in determining major program
- (E) Included as part of "Title I Grant Cluster" in determining major program
- (F) Included as part of "Special Education Grant Cluster" in determining major program
- (G) OAKS did not assign pass-through numbers for fiscal year 2010
- (H) This grant was direct from the U.S. Department of Education



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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  
Lucas Local School District  
84 Lucas North Road  
Lucas, Ohio 44843

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lucas Local School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Lucas Local School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Lucas Local School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the Lucas Local School District's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-LLSD-001 and 2010-LLSD-002 described in the accompanying schedule of findings and responses to be material weaknesses.

Board of Education  
Lucas Local School District

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the Lucas Local School District's management in a separate letter dated December 30, 2010.

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

We intend this report solely for the information and use of the management and Board of Education of the Lucas Local School District, federal awarding agencies and pass-through entities, and others within the Lucas Local School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.  
December 30, 2010



**Julian & Grube, Inc.**  
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**Report on Compliance With Requirements Applicable to Each  
Major Federal Program and on Internal Control Over Compliance  
in Accordance With OMB Circular A-133**

Board of Education  
Lucas Local School District  
84 Lucas North Road  
Lucas, Ohio 44843

To the Members of the Board of Education:

Compliance

We have audited the compliance of the Lucas 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 apply to each of its major federal programs for the fiscal year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings and responses identifies the Lucas Local School District's major federal programs. The Lucas Local School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Lucas 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Lucas Local School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Lucas Local School District's compliance with those requirements.

In our opinion, the Lucas Local School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the fiscal year ended June 30, 2010.

Internal Control Over Compliance

The Lucas Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Lucas Local School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of Lucas Local School District's internal control over compliance.

Board of Education  
Lucas Local School District

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the management and Board of Education of the Lucas Local School District, federal awarding agencies and pass-through entities, and others within the Lucas Local School District. We intend it for no one other than these specified parties.

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

Julian & Grube, Inc.  
December 30, 2010

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2010**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Special Education Grant Cluster: Special Education Grants to States (CFDA #84.027), ARRA – Special Education Grants to State, Recovery Act (CFDA #84.391); ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (CFDA #84.394)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2010**

<b>2. FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
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Finding Number	2010-LLSD-001
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Material Weakness – Bank Reconciliations

The District’s bank statements should be reconciled on a monthly basis, shortly after month end. Further, these bank reconciliations along with supporting documentation should be submitted to the Board of Education for review and approval at the meeting date following month end.

An accurate reconciliation of the District’s bank statements for the fiscal year ended June 30, 2010 was not performed and completed until several months after fiscal year end. Upon completion of the reconciliation, cash adjustments decreasing the General Fund by \$40,917 and the Internal Service Fund by \$31,555 were required as a result of reconciling accounts in an untimely manner. These adjustments were included in the financial statements and posted on the District’s system.

Not providing the Board of Education with timely monthly reconciliations results in the Board of Education relying on misrepresented financial information in which they base their decision.

We recommend the District Treasurer timely reconcile its bank statements and provide the reconciliation and supporting documentation to the Board of Education. A Board of Education representative should review the bank reconciliations for any unusual items and document their approval by initialing the reconciliation. This may significantly improve the system of checks and balances necessary for strong cash control.

Client’s Response: The Treasurer will ensure and provide monthly reconciliation of all bank statements, shortly after month end, along with supporting documentation to the Board of Education for review and approval by the Board.

Finding Number	2010-LLSD-002
----------------	---------------

Material Weakness – Financial Statement Presentation

We identified misstatements in the financial statements for the fiscal year ending June 30, 2010 that were not initially identified by the District’s internal control procedures. Audit adjustments were necessary to correct the errors in the District’s financial statements and notes. Descriptions of the adjustments are as follows:

**Intergovernmental Payable** - An adjustment was made to properly reflect federal-intergovernmental revenue in the amount of \$140,914 posted as state-intergovernmental revenue in the nonmajor special revenue fund State Fiscal Stabilization Funds.

**Intergovernmental Receivable** - The District omitted a receivable in the amount of \$117,221 for the Rural Education Achievement Program (REAP) Grant that was due to the District as of June 30, 2010 causing the receivables and deferred revenue in the miscellaneous federal grants fund, a non-major special revenue fund, and governmental activities to be understated. An audit adjustment was necessary to properly record the receivable and deferred liability.

The presentation of materially correct financial statements and the related footnotes is the responsibility of management.

LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO

SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2010

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2010-LLSD-002 - (Continued)

We recommend that the District implement control procedures that enable management to prevent or detect and timely correct potential misstatements in the financial statements and footnotes. This will result in more accurate financial reporting of the District's activities.

*Client's Response:* The Treasurer and staff will be more active in the process and review of preparation of financial statements including receivables and payables in future years.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS  
JUNE 30, 2010**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected?</u></b>	<b><u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid:</u></b>
2009-LLSD-001	<u>Significant Deficiency/Material Weakness</u> - The District did not timely provide the documentation to file a complete and accurate audit report.	Yes	N/A
2009-LLSD-002	<u>Significant Deficiency/Material Weakness</u> - Reconciliation of the District's bank statements for the fiscal year end was not completed until several months after fiscal year end.	No	Repeated as finding 2010-LLSD-001
2009-LLSD-003	<u>Significant Deficiency/Material Weakness</u> - The District does not timely record transactions in its USAS System.	Yes	N/A
2009-LLSD-004	<u>Significant Deficiency/Material Weakness</u> - Audit adjustments were necessary to correct the errors in the District's financial statements and notes.	No	Repeated as finding 2010-LLSD-002
2009-LLSD-005	<u>Material – Non Compliance</u> - Ohio Revised Code Section 5705.36 requires Districts to certify to the County Auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.	Yes	N/A
2009-LLSD-006	<u>Material – Non Compliance</u> - Ohio Revised Code Section 5705.41(B) requires that expenditures shall not exceed appropriations.	Yes	N/A

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS  
JUNE 30, 2010**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected?</u></b>	<b><u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid:</u></b>
2009-LLSD-007	<u>Material – Non Compliance</u> - Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations.	Yes	N/A
2009-LLSD-008	<u>Material – Non Compliance</u> - Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the Fiscal Officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.	Yes	N/A



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

Lucas Local School District  
Richland County  
84 Lucas North Road  
Lucas, Ohio 44843

To the Board of Education:

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

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

1. We noted the Board adopted a revised anti-harassment policy at its meeting on March 23, 2010.
2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;

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

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

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



Julian & Grube, Inc.  
December 30, 2010

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# Dave Yost • Auditor of State

LUCAS LOCAL SCHOOL DISTRICT

RICHLAND 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 15, 2011