

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

AUDIT REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

James G. Zupka, CPA, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

Board of Education
Lakota Local School District
5200 County Road 13
Kansas, Ohio 44841

We have reviewed the *Independent Auditor's Report* of the Lakota Local School District, Sandusky County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 19, 2011

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**LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR’S REPORT

Board of Education
Lakota Local School District
Kansas, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lakota Local School District, Sandusky County, Ohio, as of and for the year ended June 30, 2011, which collectively comprise the District’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lakota Local School District, Ohio’s management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03(B) requires the Lakota Local School District, Ohio, to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash basis of accounting. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lakota Local School District, Ohio, as of June 30, 2011, and the respective changes in modified cash financial position, and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting described in Note 2.

As described in Note 3 for the year ended June 30, 2011, the District ceased reporting in accordance with accounting principles generally accepted in the United States of America and began reporting on the modified cash basis of accounting. Also, as described in Note 3 to the financial statements, the District restated its July 1, 2010 governmental fund balances due to changes in fund structure as a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2011, on our consideration of the Lakota Local School District, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lakota Local School District, Ohio's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


James G. Zupka, CPA, Inc.
Certified Public Accountants

November 8, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

The Management's Discussion and Analysis of the Lakota Local School District's (the District) financial performance provides an overall review of the District's financial activities for the year ended June 30, 2011, within the limitations of the District's modified cash basis of accounting. 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 notes to those respective statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2011 are:

- In total, net assets decreased by \$13,034,325, due primarily to the capital outlay for the District's building acquisition and construction.
- General receipts accounted for \$12,270,965 or 83.84 percent of all receipts. Program specific receipts in the form of charges for services and sales, grants, and contributions accounted for \$2,364,532 or 16.16 percent of total receipts of \$14,635,497.
- The District had \$27,669,822 in program disbursements related to governmental activities. Capital outlay disbursements accounted for 53.27 percent of the total disbursements, which highlights the significance of the current year building acquisition and construction activity. Excluding capital outlay and the related grant and investment receipts, general receipts were adequate to provide for the instructional, support services, and other programs.
- The District's major governmental funds are the General Fund, the Building Fund, and the Classroom Facilities Fund. The General Fund had \$10,429,531 in receipts, \$9,062,880 in disbursements, and \$784,722 in other financing uses. During fiscal year 2011, fund balance of the General Fund increased by \$581,929 from \$955,340 to \$1,537,269.
- As expected, the Building Fund and Classroom Facilities Fund experienced significant decreases in fund balance as the resources in those funds were disbursed for the capital outlay mentioned earlier.

Using these Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's modified cash basis of accounting. Accordingly, it 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 an aggregate view of the District's finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain 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, the Building Fund, and the Classroom Facilities Fund are by far the most significant funds, and the only funds reported as major funds.

The notes to the financial statement are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related receipts (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within the report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of reporting.

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

The Statement of Net Assets and the Statement of Activities reflect how the District did financially during fiscal year 2011, within the limitations of the modified cash basis of accounting. The Statement of Net Assets presents the cash balances and investments of the governmental activities of the District at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental program draws from the District's general receipts.

These statements report the District's cash position and changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, the reader can think of the changes in cash position as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. The cause 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 Statement of Activities, the governmental activities include the District's programs and services including instruction, support services, operation and maintenance of plant, pupil transportation, food service operations, and extracurricular activities.

The District's Statement of Net Assets and Statement of Activities can be found on pages 11 and 12 of the report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 13 of the financial statements. Fund financial statements provide detailed information about the District's major funds. The District established separate funds to better manage its many activities and to demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The District's funds are split into three categories: governmental, proprietary and fiduciary.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Governmental Funds

Most of the District's activities are reported in governmental funds. The governmental fund statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent to finance educational programs. The programs reported in the governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Proprietary Fund

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate cost internally among the District's various functions. The District's Internal Service Fund accounts for medical and dental self-insurance. The basic proprietary fund financial statements can be found on pages 18-20 of this report.

Fiduciary Funds

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 21-22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets for 2011 compared to 2010 on a modified cash basis:

Table 1 - Net Assets

	2011	2010, as Restated
ASSETS		
Equity in pooled cash and cash equivalents	\$ 488,877	\$ 1,838,836
Cash and cash equivalents in segregated accounts	442,789	2,747,272
Investments	7,525,083	16,904,966
Total Assets	<u>8,456,749</u>	<u>21,491,074</u>
NET ASSETS		
Restricted	7,070,904	20,607,220
Unrestricted	1,385,845	883,854
Total Net Assets	<u>\$ 8,456,749</u>	<u>\$ 21,491,074</u>

By comparing net assets from 2010 to 2011, one can see the overall cash position of the District has diminished as evidenced by the decrease in net assets of \$13,034,325; however, it should be noted that a decrease of \$13,393,416 is directly related to the capital acquisition and construction of the new school facilities.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Table 2 shows the changes in net assets for fiscal year 2011, but does not present a comparative analysis to fiscal year 2010 for governmental activities, as fiscal year 2010 was reported on a different basis of accounting than fiscal year 2011.

Table 2 - Change in Net Assets

	2011
Cash Receipts	
Program Cash Receipts:	
Charges for Services and Sales	\$ 608,883
Operating Grants and Contributions	1,707,830
Capital Grants and Contributions	47,819
Total Program Cash Receipts	<u>2,364,532</u>
General Receipts:	
Property Taxes	3,292,328
Income Taxes	1,823,347
Payments in Lieu of Taxes	36,376
Grants and Entitlements	5,675,844
Grant from School Facilities Commission	1,229,097
Sale of Capital Assets	15,856
Investment Earnings	119,067
Miscellaneous	79,050
Total General Receipts	<u>12,270,965</u>
Total Receipts	<u>14,635,497</u>
Cash Disbursements	
Program Cash Disbursements:	
Instruction:	
Regular	4,808,591
Special	1,500,897
Vocational	11,750
Student Intervention Services	22,431
Supporting Services:	
Pupil	543,622
Instructional Staff	671,001
Board of Education	52,064
Administration	838,600
Fiscal	217,328
Business	230,850
Operation and Maintenance of Plant	825,388
Pupil Transportation	792,173
Central	21,606
Operation of Food Services	440,658
Operation of Other Non-Instructional Services	3,539
Extracurricular Activities	279,299
Capital Outlay	14,739,756
Debt Service	1,670,269
Total Cash Disbursements	<u>27,669,822</u>
Change in Net Assets	<u>(13,034,325)</u>
Net Assets - Beginning of Year, as Restated	<u>21,491,074</u>
Net Assets - End of Year	<u><u>\$ 8,456,749</u></u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Governmental Activities

The vast majority of receipts supporting all governmental activities are from general receipts. General receipts totaled \$12,270,965 or 83.84 percent of the District's total receipts. The most significant portions of the general receipts are local property taxes, school district income taxes, and unrestricted grants and entitlements. The remaining amount of receipts was in the form of program receipts, which equated to \$2,364,532 or only 16.16 percent.

Excluding capital outlay and debt service, the largest disbursement for the District is for instruction programs. Instructional programs disbursements totaled \$6,343,669 or 56.34 percent of the remaining \$11,259,797 cash disbursements.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 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 receipts and unrestricted State entitlements.

Table 3 - Governmental Activities

	Total Cost of Services 2011	Net Cost of Services 2011
Instruction	\$ 6,343,669	\$ 4,957,488
Support Services:		
Pupils and Instructional Staff	1,214,623	919,003
Board of Education, Administration, Fiscal, and Business	1,338,842	1,283,252
Operation and Maintenance of Plant	825,388	741,076
Pupil Transportation	792,173	776,453
Central	21,606	21,606
Operation of Non-Instructional Services	444,197	(8,714)
Extracurricular Activities	279,299	205,101
Capital Outlay	14,739,756	14,739,756
Debt Service	1,670,269	1,670,269
Total Cost of Service	<u>\$ 27,669,822</u>	<u>\$ 25,305,290</u>

The dependence upon taxes and other general receipts is apparent, 78.15 percent of instruction activities and 89.24 percent of support services were supported through taxes and other general receipts.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

The District's Funds

The District's governmental funds reported a combined fund balance of \$8,452,628, which is significantly lower than last year's balance of \$21,491,074. The following table indicates the fund balance and the change in fund balance from June 30, 2010, as restated, to June 30, 2011 for each major governmental fund and the total of the nonmajor governmental funds.

Table 4 - Governmental Fund Balances

	Fund Balance June 30, 2011	Fund Balance as Restated June 30, 2010	Increase (Decrease)	Percentage Change
General	\$ 1,537,269	\$ 955,340	\$ 581,929	60.91%
Building	964,069	7,191,216	(6,227,147)	-86.59%
Classroom Facilities	5,241,695	12,407,964	(7,166,269)	-57.76%
Other Governmental	709,595	936,554	(226,959)	-24.23%
Total	\$ 8,452,628	\$ 21,491,074	\$ (13,038,446)	-60.67%

The District's General Fund balance increased \$581,929 which can be attributed to cost saving measures, including not replacing staff due to attrition, close monitoring of purchases, etc.

As discussed previously, the Building Fund and the Classroom Facilities Capital Projects Fund decreased due to the disbursements of existing resources for the building project in 2011.

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 2011, the District's amended its General Fund budget several times. The original budget's General Fund receipts were \$9,038,054 and final budgeted receipts were \$9,059,364. Actual receipts were \$10,410,256, which was \$1,350,892 higher than the final budgeted receipts.

General Fund original appropriations were \$10,028,238 and final appropriations were \$10,049,548. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled 9,902,129 which was \$147,419 lower than final appropriations.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Capital Assets and Debt Administration

Capital Assets

The District does not report its capital assets under the modified cash basis of accounting

Debt

At June 30, 2011, the District had \$17,890,000 in current interest bonds, \$499,984 in capital appreciation bonds, \$307,429 in accreted interest on the capital appreciation bonds, and unamortized premium on bonds outstanding. \$595,000 of the bonds outstanding is due within one year and \$18,763,760 is due in more than one year.

The following table summarizes the bonds outstanding at June 30, 2011 and June 30, 2010:

Table 5 - Outstanding Debt at June 30,

	Governmental Activities	
	2011	2010
Current interest bonds	\$ 17,890,000	\$ 18,465,000
Capital appreciation bonds	499,984	499,984
Accreted interest	307,429	240,562
Unamortized premium on bonds	661,347	692,539
Total Outstanding Debt	\$ 19,358,760	\$ 19,898,085

At June 30, 2011, the District had no remaining voted debt margin and an unvoted debt margin of \$136,983.

See Note 14 to the basic financial statements for the additional information on the District's debt.

Current Financial Related Activities

The District currently operates on a 1.5 percent income tax levy (1.0 percent operating and 0.5 percent OSFC project) and is at the 20 mill floor for property tax. The District has one permanent improvement fund at this time. In November 2007, voters approved a combination levy, consisting of 6.5 mills property tax and 0.5 percent income tax, for the construction of a new Pre-K through 12 school building. This issue is through the Ohio School Facilities Commission's Exceptional Needs Program. The building project has an estimated cost of approximately \$36,400,000. The Ohio School Facilities Commission will provide approximately \$16,800,000, with the remaining \$19,600,000 being paid by the District with the proceeds of the combination levy.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and 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 any questions about this report or need additional information, contact Ms. Jennifer Hedrick, Treasurer at Lakota Local School District, 5200 Co. Rd. 13, Kansas, Ohio 44841.

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

Basic Financial Statements

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

**STATEMENT OF NET ASSETS – MODIFIED CASH BASIS
JUNE 30, 2011**

	<u>Governmental Activities</u>
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 488,877
Cash and Cash Equivalents in Segregated Accounts	442,789
Investments	<u>7,525,083</u>
Total Assets	<u>\$ 8,456,749</u>
<u>Net Assets</u>	
Restricted for:	
Capital Projects	\$ 6,363,936
Classroom Facilities Maintenance	174,880
Locally Funded Programs	80,109
State Funded Programs	54,731
Federally Funded Programs	201,833
Food Services	25,004
Student Activities	14,866
Other Purposes	155,545
Unrestricted	<u>1,385,845</u>
Total Net Assets	<u>\$ 8,456,749</u>

See accompanying notes to the basic financial statements

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

**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 4,808,591	\$ 331,748	\$ 436,227	\$ 0	\$ (4,040,616)
Special	1,500,897	22,746	581,241	0	(896,910)
Vocational	11,750	0	10,675	0	(1,075)
Student Intervention Services	22,431	0	3,544	0	(18,887)
Support Services:					
Pupil	543,622	0	61,319	0	(482,303)
Instructional Staff	671,001	0	234,301	0	(436,700)
Board of Education	52,064	0	0	0	(52,064)
Administration	838,600	19,275	36,315	0	(783,010)
Fiscal	217,328	0	0	0	(217,328)
Business	230,850	0	0	0	(230,850)
Operation and Maintenance of Plant	825,388	0	36,493	47,819	(741,076)
Pupil Transportation	792,173	0	15,720	0	(776,453)
Central	21,606	0	0	0	(21,606)
Operation of Food Services	440,658	160,916	288,389	0	8,647
Operation of Other Non-Instructional Services	3,539	0	3,606	0	67
Extracurricular Activities	279,299	74,198	0	0	(205,101)
Capital Outlay	14,739,756	0	0	0	(14,739,756)
Debt Service	1,670,269	0	0	0	(1,670,269)
Total Governmental Activities	\$ 27,669,822	\$ 608,883	\$ 1,707,830	\$ 47,819	(25,305,290)
General Receipts					
Property Taxes Levied for:					
General Purposes					2,537,176
Debt Service					755,152
Income Taxes					1,823,347
Payment in Lieu of Taxes					36,376
Grants and Entitlements not Restricted to Specific Programs					5,675,844
Grant from School Facilities Commission for Construction					1,229,097
Sale of Capital Assets					15,856
Investment Earnings					119,067
Miscellaneous					79,050
Total General Receipts					12,270,965
Change in Net Assets					(13,034,325)
Net Assets Beginning of Year, as Restated					21,491,074
Net Assets End of Year					\$ 8,456,749

See accompanying notes to the basic financial statements

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

**STATEMENT OF ASSETS AND FUND BALANCES – MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	General	Building	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0	\$ 329,211	\$ 329,211
Cash and Cash Equivalents in Segregated Accounts	0	68,788	374,001	0	442,789
Investments	0	1,169,026	6,356,057	0	7,525,083
Interfund Receivable	1,381,724	0	0	380,384	1,762,108
Restricted Cash and Cash Equivalents	155,545	0	0	0	155,545
Total Assets	<u>\$ 1,537,269</u>	<u>\$ 1,237,814</u>	<u>\$ 6,730,058</u>	<u>\$ 709,595</u>	<u>\$ 10,214,736</u>
<u>Liabilities and Fund Balances</u>					
<u>Liabilities</u>					
Interfund Payable	\$ 0	\$ 273,745	\$ 1,488,363	\$ 0	\$ 1,762,108
<u>Fund Balances</u>					
Restricted	155,545	964,069	5,241,695	709,595	7,070,904
Assigned	1,381,724	0	0	0	1,381,724
Total Fund Balances	<u>1,537,269</u>	<u>964,069</u>	<u>5,241,695</u>	<u>709,595</u>	<u>8,452,628</u>
Total Liabilities and Fund Balances	<u>\$ 1,537,269</u>	<u>\$ 1,237,814</u>	<u>\$ 6,730,058</u>	<u>\$ 709,595</u>	<u>\$ 10,214,736</u>

See accompanying notes to the basic financial statements

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011

Total Governmental Fund Balances \$ 8,452,628

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

An internal service fund is used by management to charge the costs of medical and dental insurance to individual funds. The cash and cash equivalents of the internal service fund are included in governmental activities in the Statement of Net Assets.

4,121

Net Assets of Governmental Activities \$ 8,456,749

See accompanying notes to the basic financial statements

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES –
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	General	Building	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Receipts					
Property Taxes	\$ 2,537,176	\$ 0	\$ 0	\$ 755,152	\$ 3,292,328
Income Taxes	1,823,347	0	0	0	1,823,347
Intergovernmental	5,578,024	0	1,229,097	1,801,466	8,608,587
Interest	1,789	76,272	40,971	35	119,067
Tuition and Fees	354,494	0	0	0	354,494
Extracurricular Activities	0	0	0	74,198	74,198
Contributions and Donations	0	0	0	20,495	20,495
Charges for Services	0	0	0	160,916	160,916
Payments in Lieu of Taxes	36,376	0	0	0	36,376
Miscellaneous	98,325	0	0	31,508	129,833
Total Receipts	<u>10,429,531</u>	<u>76,272</u>	<u>1,270,068</u>	<u>2,843,770</u>	<u>14,619,641</u>
Disbursements					
Current:					
Instruction:					
Regular	4,098,397	0	0	714,315	4,812,712
Special	1,015,884	0	0	485,013	1,500,897
Vocational	11,750	0	0	0	11,750
Student Intervention Services	3,625	0	0	18,806	22,431
Support Services:					
Pupil	445,693	0	0	97,929	543,622
Instructional Staff	394,821	0	0	276,180	671,001
Board of Education	52,064	0	0	0	52,064
Administration	813,162	0	0	25,438	838,600
Fiscal	217,328	0	0	0	217,328
Business	214,888	0	0	15,962	230,850
Operation and Maintenance of Plant	787,545	0	0	37,843	825,388
Pupil Transportation	776,728	0	0	15,445	792,173
Central	21,606	0	0	0	21,606
Operation of Food Services	0	0	0	440,658	440,658
Operation of Other Non-Instructional Services	0	0	0	3,539	3,539
Extracurricular Activities	209,389	0	0	69,910	279,299
Capital Outlay	0	6,303,419	8,436,337	0	14,739,756
Debt Service:					
Principal Retirement	0	0	0	575,000	575,000
Interest and Fiscal Charges	0	0	0	1,095,269	1,095,269
Total Disbursements	<u>9,062,880</u>	<u>6,303,419</u>	<u>8,436,337</u>	<u>3,871,307</u>	<u>27,673,943</u>
Excess of Receipts Over (Under) Disbursements	<u>1,366,651</u>	<u>(6,227,147)</u>	<u>(7,166,269)</u>	<u>(1,027,537)</u>	<u>(13,054,302)</u>
Other Financing Sources (Uses)					
Sale of Capital Assets	0	0	0	15,856	15,856
Transfers In	0	0	0	573,990	573,990
Transfers Out	(573,990)	0	0	0	(573,990)
Advances In	0	0	0	210,732	210,732
Advances Out	(210,732)	0	0	0	(210,732)
Total Other Financing Sources (Uses)	<u>(784,722)</u>	<u>0</u>	<u>0</u>	<u>800,578</u>	<u>15,856</u>
Net Change in Fund Balances	581,929	(6,227,147)	(7,166,269)	(226,959)	(13,038,446)
Fund Balances Beginning of Year, as Restated	955,340	7,191,216	12,407,964	936,554	21,491,074
Fund Balances End of Year	<u>\$ 1,537,269</u>	<u>\$ 964,069</u>	<u>\$ 5,241,695</u>	<u>\$ 709,595</u>	<u>\$ 8,452,628</u>

See accompanying notes to the basic financial statements

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Net Change in Fund Balances - Total Governmental Funds \$ (13,038,446)

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

The internal service fund used by management to charge the costs of medical and dental insurance to individual funds is not reported in the Statement of Activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

4,121

Change in Net Assets of Governmental Activities \$ (13,034,325)

See accompanying notes to the basic financial statements

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET (NON-GAAP BASIS) AND ACTUAL -
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
<u>Receipts</u>				
Property Taxes	\$ 2,184,511	\$ 2,191,849	\$ 2,537,176	\$ 345,327
Income Tax	1,571,841	1,577,121	1,823,347	246,226
Intergovernmental	4,887,812	4,904,232	5,578,024	673,792
Interest	1,466	1,470	1,789	319
Tuition and Fees	304,216	305,238	354,494	49,256
Payments in Lieu of Taxes	31,896	32,003	36,376	4,373
Miscellaneous	56,312	47,451	79,050	31,599
Total Receipts	<u>9,038,054</u>	<u>9,059,364</u>	<u>10,410,256</u>	<u>1,350,892</u>
<u>Disbursements</u>				
Current:				
Instruction:				
Regular	4,731,149	4,143,342	4,105,364	37,978
Special	980,559	1,012,976	1,015,884	(2,908)
Vocational	10,854	11,854	11,750	104
Student Intervention Services	14,288	17,223	3,625	13,598
Support Services:				
Pupil	624,677	463,752	446,812	16,940
Instructional Staff	376,603	395,963	400,321	(4,358)
Board of Education	14,570	59,538	53,564	5,974
Administration	787,396	789,148	791,602	(2,454)
Fiscal	214,915	216,115	217,328	(1,213)
Business	131,475	233,354	216,657	16,697
Operation and Maintenance of Plant	812,529	824,783	805,388	19,395
Pupil Transportation	694,584	865,778	818,117	47,661
Central	62,811	24,511	21,606	2,905
Extracurricular Activities	206,489	206,489	209,389	(2,900)
Total Disbursements	<u>9,662,899</u>	<u>9,264,826</u>	<u>9,117,407</u>	<u>147,419</u>
Excess of Receipts Over (Under) Disbursements	<u>(624,845)</u>	<u>(205,462)</u>	<u>1,292,849</u>	<u>1,498,311</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	(365,339)	(573,990)	(573,990)	0
Advances Out	0	(210,732)	(210,732)	0
Total Other Financing Sources (Uses)	<u>(365,339)</u>	<u>(784,722)</u>	<u>(784,722)</u>	<u>0</u>
Net Change in Fund Balance	(990,184)	(990,184)	508,127	1,498,311
Fund Balance Beginning of Year	903,193	903,193	903,193	0
Prior Year Encumbrances Appropriated	28,238	28,238	28,238	0
Fund Balance End of Year	<u>\$ (58,753)</u>	<u>\$ (58,753)</u>	<u>\$ 1,439,558</u>	<u>\$ 1,498,311</u>

See accompanying notes to the basic financial statements

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

STATEMENT OF FUND NET ASSETS – MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2011

	<u>Governmental Activity Internal Service</u>
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 4,121</u>
<u>Net Assets</u>	
Unrestricted	<u>\$ 4,121</u>

See accompanying notes to the basic financial statements

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

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND NET ASSETS –
MODIFIED CASH BASIS - PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Governmental Activity Internal Service</u>
<u>Operating Receipts</u>	
Charges for Services	<u>\$ 82,367</u>
<u>Operating Disbursements</u>	
Purchased Services	<u>78,246</u>
Operating Income	4,121
Net Assets Beginning of Year, as Restated	<u>0</u>
Net Assets End of Year	<u>\$ 4,121</u>

See accompanying notes to the basic financial statements

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Governmental Activities - Internal Service Fund
<u>Cash Flows from Operating Activities</u>	
Cash Received from Charges for Services	\$ 82,367
Cash Payments for Purchased Services	<u>(78,246)</u>
Net Cash Provided by Operating Activities	<u>4,121</u>
Cash and Cash Equivalents at Beginning of Year	<u>0</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 4,121</u></u>
Reconciliation of Operating Income to	
<u>Net Cash Provided by Operating Activities</u>	
Operating Income	<u>\$ 4,121</u>
Net Cash Provided by Operating Activities	<u><u>\$ 4,121</u></u>

See accompanying notes to the basic financial statements.

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

STATEMENT OF FIDUCIARY NET ASSETS –MODIFIED CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2011

	<u>Private Purpose Trust</u>	<u>Agency</u>
<u>Assets</u>		
Equity in Pooled Cash and Cash Equivalents	\$ 15,544	\$ 28,810
<u>Net Assets</u>		
Held in Trust for Scholarships	15,544	0
Held on Behalf of Students	0	28,810
Total Net Assets	<u>\$ 15,544</u>	<u>\$ 28,810</u>

See accompanying notes to the basic financial statements

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS – MODIFIED CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Private Purpose Trust</u>
<u>Additions</u>	
Contributions	\$ 1,500
Interest	3
Total Additions	<u>1,503</u>
<u>Deductions</u>	
Scholarships	<u>3,850</u>
Total Deductions	<u>3,850</u>
Change in Net Assets	(2,347)
Net Assets at Beginning of Year	<u>17,891</u>
Net Assets at End of Year	<u><u>\$ 15,544</u></u>

See accompanying notes to the basic financial statements

LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO

Notes to the Basic Financial Statements

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1: REPORTING ENTITY

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

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

The District ranks as the 481st largest by enrollment among 905 public and community school districts in Ohio and the fifth largest in Sandusky County. It is staffed by 78 non-certified employees and 76 certified full-time teaching personnel, who provide services to 1,015 students and other community members. The District currently operates 5 instructional buildings and 1 garage.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading.

A. Primary Government

The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Lakota Local School District, this includes the agencies and departments that provide the following services: general operations, food service, and student related activities of the District.

B. Component Units

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. The District is also financially accountable for any organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the District, are accessible to the District, and are significant in amount to the District. The District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

The District is associated with two jointly governed organizations and two insurance purchasing pools.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1: **REPORTING ENTITY** (Continued)

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

JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Educational Computer Association

The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of public school districts within the boundaries of Erie, Huron, Ottawa, Sandusky, and Seneca counties and the cities of Fremont, Huron, Sandusky, Norwalk, Bellevue, Port Clinton, Fostoria, and Tiffin. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member Districts. The superintendent of each district is on the Board of Trustees. The District paid \$60,364 to NOECA in fiscal year 2011 for services. Financial information is available from Betty Schwiefert, who serves as controller, at 2900 Columbus Avenue, Sandusky, Ohio 44870.

Vanguard-Sentinel Career Center

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

INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan (GRP) was established as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 10B for further information on this group rating plan.

Ohio Mid-Eastern Regional Educational Services Agency

The District is a participant with several other school districts in an insurance purchasing pool to operate the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA). OME-RESA was formed for the purpose of providing insurance. OME-RESA is governed by a Board of Directors consisting of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board.

The District's management believes these financial statements present all activities for which the District is financially accountable.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2 C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The District does not apply FASB statements issued after November 30, 1989, to its proprietary funds. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

The District's basic financial statements consist of government-wide financial statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

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. The statements distinguish between those activities of the District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The District does not have any business-type activities.

The Statement of Net Assets presents the cash balance of the governmental activities of the District at fiscal year end. The Statement of Activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the District's general receipts.

Fund Financial Statements During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

A. **Basis of Presentation** (Continued)

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. **Fund Accounting**

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

GOVERNMENTAL FUNDS

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds.

The following are the District's major governmental funds:

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

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

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

Other governmental funds of the District are used to account grants and other resources whose use is restricted to a particular purpose.

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 benefits to employees.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

B. **Fund Accounting** (Continued)

FIDUCIARY FUNDS

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. The District's Agency Fund accounts for student activities.

C. **Basis of Accounting**

The District's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the District are described in the appropriate section in this note.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. **Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been given the authority to allocate Board appropriations to the function and object level within all funds without resolution by the Board of Education.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original and final appropriations were passed by the Board.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

D. **Budgetary Process** (Continued)

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

E. **Cash and Investments**

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents". If a fund overdraws its share of the pool, an interfund payable is reported for that fund, rather than negative equity in pooled cash and cash equivalents. Funds that provided the resources to cover the overdrawn funds report an interfund receivable.

Cash and cash equivalents that are held separately from the pool within funds of the District are presented as "cash and cash equivalents in Segregated Accounts."

Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2011, investments were limited to STAROhio, municipal and corporate bonds, negotiable Certificates of Deposits, and U.S. Government money market mutual fund. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for at June 30, 2011. The municipal and corporate bonds, negotiable Certificates of Deposits, and U.S. Government money market mutual fund are recorded at the amounts reported by Ross, Sinclair & Associates, LLC at June 30, 2011.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2011 was \$1,789. No interest receipts were assigned from other District funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

F. **Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent money required by State statute to be set aside for the purchase of textbooks and other instructional materials. See Note 15 for additional information regarding set asides.

G. **Inventory and Prepaid Items**

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. **Capital Assets**

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. **Interfund Receivables/Payables**

The District reports advances-in and advances-out for interfund loans approved by the Board. These items are not reflected as assets and liabilities in the accompanying financial statements. However, when a fund overdraws its share of the pooled cash and cash equivalents, as discussed in section E. of this note, the interfund receivable and payable are presented, rather than negative equity in the pool.

J. **Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's modified cash basis of accounting.

K. **Employer Contributions to Cost-Sharing Pension Plans**

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 12 and 13, the employer contributions include portions for pension benefits and for postretirement health care benefits.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

(Continued)

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

L. Long-Term Obligations

The District's modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide Statement of Net Assets reports restricted net assets of \$7,070,904. The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are not spendable in form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned. This fund balance classification was not utilized in fiscal year 2011.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District's Board of Education. Those committed amounts cannot be used for any other purpose unless the District's Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. This fund balance classification was not utilized in fiscal year 2011.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance (Continued)

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts would represent intended uses established by the District’s Board of Education.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In the other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. This fund balance classification was not utilized in fiscal year 2011.

The District applies restricted resources first when disbursements are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

O. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

NOTE 3: CHANGE IN BASIS OF ACCOUNTING, CHANGE IN ACCOUNTING PRINCIPLES, AND RESTATEMENT OF FUND EQUITY

A. Change in Basis of Accounting

For 2011, the District ceased to report using generally accepted accounting principles and reported on the modified cash basis of accounting as described in Note 2.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 3: **CHANGE IN BASIS OF ACCOUNTING, CHANGE IN ACCOUNTING PRINCIPLES, AND RESTATEMENT OF FUND EQUITY** (Continued)

B. Change in Accounting Principles

For fiscal year 2011, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the District's financial statements.

C. Restatement of Fund Equity

The implementation of these changes had the following effects on fund equity of the major and nonmajor funds of the District as they were previously reported. The effects on net assets of governmental activities are also presented.

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances at June 30, 2010 as previously reported	\$ 1,108,596	\$ 7,176,557	\$ 11,409,243	\$ 974,525	\$ 20,668,921
Elimination of Asset and Liability Accruals	(177,165)	14,659	998,721	(14,062)	822,153
Fund Reclassifications	23,909	0	0	(23,909)	0
Fund Balances at June 30, 2010, as Restated	\$ 955,340	\$ 7,191,216	\$ 12,407,964	\$ 936,554	\$ 21,491,074

	<u>Internal Service</u>	<u>Governmental Activities</u>
Net Assets at June 30, 2010, as previously reported	\$ (249,499)	\$ 20,577,018
Elimination of Asset and Liability Accruals	249,499	914,056
Net Assets at June 30, 2010, as Restated	\$ 0	\$ 21,491,074

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

(Continued)

NOTE 4: FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the General, Building, Classroom Facilities, and other governmental funds are presented below:

Fund Balances	General	Building	Classroom Facilities	Other Governmental	Total
Restricted for:					
Capital Projects	\$ 0	\$ 964,069	\$ 5,241,695	\$ 158,172	\$ 6,363,936
Classroom Facilities Maintenance	0	0	0	174,880	174,880
Locally Funded Programs	0	0	0	80,109	80,109
State Funded Programs	0	0	0	54,731	54,731
Federally Funded Programs	0	0	0	201,833	201,833
Food Services	0	0	0	25,004	25,004
Student Activities	0	0	0	14,866	14,866
Other Purposes	155,545	0	0	0	155,545
Total Restricted	<u>155,545</u>	<u>964,069</u>	<u>5,241,695</u>	<u>709,595</u>	<u>7,070,904</u>
Assigned to:					
FY 2012 Appropriations	1,284,013	0	0	0	1,284,013
Public School Support	21,624	0	0	0	21,624
Other Purposes	76,087	0	0	0	76,087
Total Assigned	<u>1,381,724</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,381,724</u>
Total Fund Balances	<u>\$ 1,537,269</u>	<u>\$ 964,069</u>	<u>\$ 5,241,695</u>	<u>\$ 709,595</u>	<u>\$ 8,452,628</u>

NOTE 5: COMPLIANCE

Legal Compliance

Ohio Administrative Code Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 5: **COMPLIANCE** (Continued)

Appropriations Exceed Estimated Resources

Ohio Revised Code 5705.39 prohibits appropriations from exceeding the total estimated resources. The following funds had appropriations exceeding estimated resources:

	Estimated Resources	Appropriations	Variance
<i>Original Budget</i>			
<u>Fund</u>			
General	\$ 9,941,247	\$ 10,000,000	\$ (58,753)
 <i>Final Budget</i>			
<u>Fund</u>			
General	\$ 9,962,557	\$ 10,021,310	\$ (58,753)

Negative Cash Balances

Contrary to Ohio Revised Code Section 5705.10, the District had the following negative cash balances in equity in pooled cash and cash equivalents at June 30, 2011, in the following funds:

	<u>Deficit</u>
Major Funds:	
Building	\$ 273,745
Classroom Facilities	1,488,363

The negative cash balances in equity in pooled cash and cash equivalents caused other funds to cover the deficits in these funds. Both overdrawn funds had segregated cash and cash equivalents and investments that could have been liquidated and used to cover the negative cash balances in equity in pooled cash and cash equivalents at June 30, 2011. As of the date of this report, management has not covered the negative cash balance in equity in pooled cash and cash equivalents.

NOTE 6: **BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$76,087. Per GASB Statement No. 54, the Principal’s Fund is combined with the General Fund on the modified cash basis statements, but is reported separately for budgetary purposes. This combining of funds resulted in an increase in cash basis receipts, cash disbursements, and beginning fund balance of \$19,275, \$21,560, and \$23,909, respectively.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

(Continued)

NOTE 7: 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 District's 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;
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 or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in divisions (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 7: **DEPOSITS AND INVESTMENTS** (Continued)

8. Commercial paper and bankers' acceptances if training requirements have been met.

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.

At fiscal year end, the District had \$3,827 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$136,613 of the District's bank balance of \$424,008 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 7: **DEPOSITS AND INVESTMENTS** (Continued)

Investments

As of June 30, 2011, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Investment Maturities</u>	
		<u>6 Months or Less</u>	<u>7 to 12 Months</u>
Negotiable CDs	\$ 5,722,525	\$ 3,731,482	\$ 1,991,043
Municipal Bonds	790,819	790,819	0
Corporate Bonds	1,011,740	1,011,740	0
U.S. Government Money Market	442,662	442,662	0
STAROhio	2,101,364	2,101,364	0
Total	\$ 10,069,110	\$ 8,078,067	\$ 1,991,043

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

Custodial Credit Risk For an investment, custodial credit risk is the risk that in the event of failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Credit Risk STAROhio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard service rating. The District's U.S. Government money market mutual funds carry a rating of AAAM by Standard & Poor's. The District's municipal bonds were rated AA and Aa2 by Standard & Poor's and Moody's Investor Services, respectively. The District's corporate bonds were rated Aaa by Moody's Investor Services and were rated AAA by Standard & Poor's. The District has no investment policy that would further limit its investment choices.

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, 2011:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>% of Total</u>
Negotiable CD's	\$ 5,722,525	56.83
Municipal Bonds	790,819	7.85
Corporate Bonds	1,011,740	10.05
U.S. Government Money Market	442,662	4.40
STAROhio	2,101,364	20.87
Total	\$ 10,069,110	100.00

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 8: **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 receipts received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, 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 receipts received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected in 2011 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.

The District receives property taxes from Sandusky, Wood, and Seneca counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$841,822 in the General Fund and \$259,991 in the Bond Retirement Fund (a nonmajor governmental fund). This amount is recorded as receipts. The amount available for advance at June 30, 2010 was \$772,415 in the General Fund and \$230,190 in the Bond Retirement Fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed value upon which the fiscal year 2011 taxes were collected are:

	<u>2010 SecondHalf Collections</u>		<u>2011 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate				
Other Real Estate	\$ 130,858,430	95.92%	\$ 131,125,310	95.72%
Public Utility Personal	5,568,380	4.08%	5,857,880	4.28%
	<u>\$ 136,426,810</u>	<u>100.00%</u>	<u>\$ 136,983,190</u>	<u>100.00%</u>
 Tax Rate per \$1,000 of Assessed Valuation	 <u>\$ 42.70</u>		 <u>\$ 42.70</u>	

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 9: INCOME TAX

The District levies a voted tax of 1.00 percent for general operations on the income of residents and of estates. The tax was approved by voters in March 2004, and is a continuing tax. In November 2007, voters approved an additional .5 percent income tax for the construction of the new Pre-K through 12 school building. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts is credited to the general fund and totaled \$1,823,347 for fiscal year 2011.

NOTE 10: INTERFUND TRANSACTIONS

During fiscal year 2011, the General Fund transferred \$510,000 to the Bond Retirement Debt Service Fund to pay for the debt payments associated with long-term debt obligations and \$63,990 to the Classroom Facilities Maintenance Fund to cover expenditures exceeding receipts.

Advances of \$210,732 were made to cover current operating expenses and grant expenses related to timing differences. These advances comply with the Ohio Revised Code.

NOTE 11: RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the District contracted with Ohio School Plan for fleet insurance and liability insurance, and with Indiana Insurance Company for property, inland marine, and crime coverage. Coverages provided by these companies are as follows:

Building and Contents - Replacement Cost (\$1,000 deductible)	\$31,429,346
Crime Insurance (\$1,000 deductible)	25,000
Automobile Liability (\$1,000 buses, other \$250 deductible)	1,000,000
Uninsured Motorists (\$1,000 buses, other \$250 deductible)	1,000,000
General Liability:	
Per Occurrence	2,000,000
Total Per Year	4,000,000

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

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

B. Workers' Compensation Plan

For fiscal year 2011, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 1B). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

C. Employee Group Life Insurance

The District offers group life insurance to all employees through Guardian Life Insurance Company.

D. Dental Self-Insurance

Dental insurance is offered to employees through a self-insured program. All funds of the District participate in the program and make payments to the Dental Self-Insurance Internal Service fund based on actuarial estimates of the amounts needed to pay prior and current-year claims. The monthly premiums for dental are \$69.10 per person for single/family coverage. The Dental Self-Insurance Fund provides coverage of up to a maximum of \$1,500 per individual per year. The District utilizes a third party administrator, Employee Benefit Management Corporation, to review all claims, which are then paid by the District. There is no stop-loss coverage. Settled claims have not exceeded self-insured coverage since the inception of this program.

E. Employee Group Medical

Medical insurance is offered to employees through a Self-Insurance Internal Service Fund. The District is a member of OME-RESA, a claims servicing pool, consisting of 74 school districts within the State, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. The premium for family coverage is \$1,116.26 and for single coverage is \$408.31. The Board pays 85 percent of the premium for certified employees; the percentage the Board pays for the non-certified employees varies.

Post-employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 12. As such, no funding provisions are required by the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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, 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 years ending June 30, 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contributions refer is allocated to the Health Care Fund and the Medicare Part B Fund. 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, 2011, 2010, and 2009 were \$206,841, \$216,660, and \$158,705, respectively; 54.40 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

B. **State Teachers Retirement System of Ohio** (Continued)

contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2011, 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, 2011, 2010, and 2009 were \$486,564, \$480,396, and \$498,095, respectively; 77.69 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$28,802 made by the District and \$20,573 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, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 13: **POST-EMPLOYMENT BENEFITS**

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple-employer post-employment 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 HMOs, PPOs, 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 2010 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, under *Employers/Audit Resources*.

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 2011, 1.43 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 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the post-employment 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, 2011, 2010, and 2009, were \$50,901, \$41,496, and \$97,312, respectively; 54.40 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 13: **POST-EMPLOYMENT BENEFITS** (Continued)

A. **School Employees Retirement System** (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, 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, 2011, 2010, and 2009, were \$13,311, \$12,884, and \$13,094, respectively; 54.40 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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 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 2011, 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, 2011, 2010, and 2009, were \$37,428, \$36,954, and \$38,315, respectively; 77.69 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 14: **LONG-TERM OBLIGATIONS**

A. Governmental Activities

During fiscal year 2011, the following changes occurred in governmental activities' long-term obligations:

	Balance Outstanding 6/30/2010	Additions	Reductions	Balance Outstanding 6/30/2011	Amounts Due in One Year
<u>Governmental Activities:</u>					
<u>General Obligation Bonds</u>					
Series 2008A Issue:					
Current Interest Bonds	\$ 9,425,000	\$ 0	\$ (245,000)	\$ 9,180,000	\$ 255,000
Capital Appreciation Bonds	199,992	0	0	199,992	0
Accreted Interest	89,537	23,580	0	113,117	0
Series 2008B Issue:					
Current Interest Bonds	2,215,000	0	(60,000)	2,155,000	60,000
Capital Appreciation Bonds	10,000	0	0	10,000	0
Accreted Interest	15,826	5,863	0	21,689	0
Series 2008C Issue:					
Current Interest Bonds	6,825,000	0	(270,000)	6,555,000	280,000
Capital Appreciation Bonds	289,992	0	0	289,992	0
Accreted Interest	135,199	37,424	0	172,623	0
Total General Obligation Bonds Payable	<u>19,205,546</u>	<u>66,867</u>	<u>(575,000)</u>	<u>18,697,413</u>	<u>595,000</u>
Total Governmental Activities	<u>19,205,546</u>	<u>66,867</u>	<u>(575,000)</u>	<u>18,697,413</u>	<u>\$ 595,000</u>
Unamortized Premium on Bond Issue	<u>692,539</u>	<u>0</u>	<u>(31,192)</u>	<u>661,347</u>	
Total Long-Term Obligations	<u>\$ 19,898,085</u>	<u>\$ 66,867</u>	<u>\$ (606,192)</u>	<u>\$ 19,358,760</u>	

B. General Obligation Bonds

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 14: **LONG-TERM OBLIGATIONS** (Continued)

B. General Obligation Bonds (Continued)

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

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

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

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

The District had unspent bond proceeds of \$ 2,221,845 as of June 30, 2011.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 14: **LONG-TERM OBLIGATIONS** (Continued)

B. General Obligation Bonds (Continued)

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 595,000	\$ 358,911	\$ 953,911	\$ 0	\$ 0	\$ 0
2013	610,000	697,846	1,307,846	0	0	0
2014	0	677,372	677,372	227,343	407,657	635,000
2015	0	677,372	677,372	191,854	443,146	635,000
2016	335,000	677,872	1,012,872	80,787	219,213	300,000
2017-2021	3,495,000	3,054,382	6,549,382	0	0	0
2022-2026	4,260,000	2,257,690	6,517,690	0	0	0
2027-2031	5,695,000	1,370,659	7,065,659	0	0	0
2032-2036	2,900,000	447,172	3,347,172	0	0	0
Total	<u>\$ 17,890,000</u>	<u>\$ 10,219,276</u>	<u>\$ 28,109,276</u>	<u>\$ 499,984</u>	<u>\$ 1,070,016</u>	<u>\$ 1,570,000</u>

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. The Code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1 percent 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, 2011, resulted in no remaining voted debt margin and an unvoted debt margin of \$136,983.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 15: **SET-ASIDE REQUIREMENTS**

The District is required by State law to set aside certain General Fund amounts, as defined, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2011, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-Aside Balances as of June 30, 2010	\$ 71,486	\$ (19,238,728)
Current Year Set-Aside Requirements	138,235	138,235
Qualifying Disbursements	(54,176)	(119,283)
Total	\$ 155,545	\$ (19,219,776)

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

Governmental fund restricted assets for textbooks at June 30, 2011 were \$155,545.

NOTE 16: **CONTINGENCIES**

A. **Grants**

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

B. **Litigation**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 17: CONTRACTUAL COMMITMENTS

As of June 30, 2011, the District had the following contractual commitments outstanding related to the Construction Project described in Note 14B. A summary of the primary contractual commitments follows:

<u>Contractor</u>	Original Contract Amount	Amount Paid Through June 30, 2011	Remaining Contract Amount
Garmann Miller Architects	\$ 1,980,628	\$ (1,880,671)	\$ 99,957
Bostleman G. Stevens	1,910,236	(1,272,570)	637,666
Vaughn Industries	3,993,492	(3,915,590)	77,902
Accel Fire Sytems	277,209	(265,400)	11,809
Mel Lanzer Co.	17,907,687	(16,397,361)	1,510,326
Coyle Mechanical, Inc.	1,014,355	(991,027)	23,328
Lake Erie Elec.	3,366,806	(3,039,355)	327,451
Nu Wave Technology, Inc.	107,562	(4,603)	102,959
Tom Sexton & Associates	623,596	(19,320)	604,276
Microman, Inc.	317,751	(210,900)	106,851
Valley Electric Consolidated, Inc.	604,405	(462,990)	141,415
Logos Communication	57,900	(31,092)	26,808
McNerney & Sons, Inc.	236,768	0	236,768
	<u>\$ 32,398,395</u>	<u>\$ (28,490,879)</u>	<u>\$ 3,907,516</u>

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture						
<u>Passed through State Department of Education</u>						
<i>Child Nutrition Cluster</i>						
School Breakfast Program	10.553	2011	\$ 70,891	\$ 0	\$ 70,891	\$ 0
National School Lunch Program (Note 2)	10.555	2011	211,225	19,906	211,225	19,906
<i>Total Child Nutrition Cluster</i>			<u>282,116</u>	<u>19,906</u>	<u>282,116</u>	<u>19,906</u>
Total U.S. Department of Agriculture			<u>282,116</u>	<u>19,906</u>	<u>282,116</u>	<u>19,906</u>
U.S. Department of Education						
<u>Passed through State Department of Education</u>						
<i>Title I, Part A Cluster</i>						
Title I - Grants to Local Educational Agencies	84.010	2010	14,769	0	20,199	0
Title I - Grants to Local Educational Agencies	84.010	2011	243,018	0	181,691	0
ARRA - Title I - Grants to Local Educational Agencies	84.389	2010	1,020	0	4,020	0
ARRA - Title I - Grants to Local Educational Agencies	84.389	2011	4,366	0	4,366	0
<i>Total Title I, Part A Cluster</i>			<u>263,173</u>	<u>0</u>	<u>210,276</u>	<u>0</u>
<i>Special Education Cluster</i>						
Special Education Grants to States - IDEA Part B	84.027	2010	0	0	8,669	0
Special Education Grants to States - IDEA Part B	84.027	2011	262,471	0	329,732	0
ARRA - Special Education Grants to States - IDEA Part B	84.391	2011	163,053	0	29,983	0
Early Childhood Special Education Grants - IDEA Preschool	84.173	2011	1,150	0	1,150	0
<i>Total Special Education Cluster</i>			<u>426,674</u>	<u>0</u>	<u>369,534</u>	<u>0</u>
Safe and Drug Free Schools and Communities - State Grants	84.186	2010	0	0	2,433	0
Safe and Drug Free Schools and Communities - State Grants	84.186	2011	0	0	1,416	0
<i>Total CFDA #84.186</i>			<u>0</u>	<u>0</u>	<u>3,849</u>	<u>0</u>
Migrant Education - State Grants Program	84.011	2010	118,324	0	129,524	0
Migrant Education - State Grants Program	84.011	2011	34,934	0	25,441	0
<i>Total CFDA #84.011</i>			<u>153,258</u>	<u>0</u>	<u>154,965</u>	<u>0</u>
<i>Educational Technology, State Grants Cluster</i>						
Education Technology State Grants	84.318	2010	0	0	237	0
Education Technology State Grants	84.318	2011	83	0	0	0
<i>Total Educational Technology, State Grants Cluster</i>			<u>83</u>	<u>0</u>	<u>237</u>	<u>0</u>
Improving Teacher Quality - State Grants	84.367	2010	1,569	0	1,927	0
Improving Teacher Quality - State Grants	84.367	2011	58,075	0	58,075	0
<i>Total CFDA #84.367</i>			<u>59,644</u>	<u>0</u>	<u>60,002</u>	<u>0</u>
<i>State Fiscal Stabilization Fund Cluster</i>						
ARRA - State Fiscal Stabilization Fund	84.394	2911	422,739	0	735,980	0
Total U.S. Department of Education			<u>1,325,571</u>	<u>0</u>	<u>1,534,843</u>	<u>0</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,607,687</u>	<u>\$ 19,906</u>	<u>\$ 1,816,959</u>	<u>\$ 19,906</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Lakota Local School District and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2: NONCASH SUPPORT

The District receives noncash support in the form of food subsidies from the National School Lunch Program (NSLP), CFDA 10.555. The value of the food subsidies is determined by using the fair market value of the food items as quoted by local food suppliers.

NOTE 3: TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain Federal awards by June 30. However, with the Ohio Department of Education's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts for certain program. The District transferred the following amounts from 2010 to 2011 programs:

<u>Program Title</u>	<u>CFDA</u>	<u>Grant Year</u>	<u>Transfer Out</u>	<u>Transfer In</u>
ARRA - Special Education Grants to States - IDEA Part B	84.391	2010	\$ 32,559	\$ 0
ARRA - Special Education Grants to States - IDEA Part B	84.391	2011	\$ 0	\$ 32,559

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Education
Lakota Local School District
Kansas, Ohio

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lakota Local School District, Sandusky County, Ohio, as of and for the year ended June 30, 2011, which collectively comprise the Lakota Local School District, Ohio's basic financial statements and have issued our report thereon dated November 8, 2011, wherein we noted that the Lakota Local School District, Ohio, changed its accounting basis from accounting principles generally accepted in the United States of America to the modified cash basis. We also noted that the Lakota Local School District, Ohio, adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

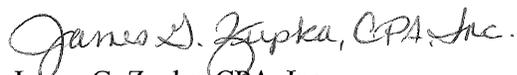
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lakota Local School District, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings and Questioned Costs as **Item 2011-001 and Item 2011-002**.

We noted certain matters that we reported to the management of the Lakota Local School District, Ohio, in a separate letter dated November 8, 2011.

The Lakota Local School District, Ohio's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Lakota Local School District, Ohio's response and, accordingly, we express no opinion on it.

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



James G. Zupka, CPA, Inc.
Certified Public Accountants

November 8, 2011

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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Lakota Local School District
Kansas, Ohio

Compliance

We have audited the Lakota Local School District, Sandusky County, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Lakota Local School District, Ohio's major federal programs for the year ended June 30, 2011. The Lakota Local School District, Ohio's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Lakota Local School District, Ohio's management. Our responsibility is to express an opinion on the Lakota Local School District, Ohio's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Lakota Local School District, Ohio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Lakota Local School District, Ohio's compliance with those requirements.

In our opinion, the Lakota Local School District, Ohio complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Lakota Local School District, Ohio, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Lakota Local School District, Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Lakota Local School District, Ohio's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to 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 noted certain matters that we reported to the management of the Lakota Local School District, Ohio, in a separate letter dated November 8, 2011.

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



James G. Zupka, CPA, Inc.
Certified Public Accountants

November 8, 2011

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & § 505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS		
2011(i)	Type of Financial Statement Opinion	Unqualified
2011(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2011(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2011(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS?)	Yes
2011(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2011(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2011(v)	Type of Major Programs' Compliance Opinion	Unqualified
2011(vi)	Any there any reportable findings under .510?	No
2011(vii)	Major Programs (list):	
	Nutrition Cluster:	
	School Breakfast Program - CFDA #10.553	
	National School Lunch Program - CFDA #10.555	
	ARRA - State Fiscal Stabilization Fund - CFDA #84.394	
2011(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
2011 (ix)	Low Risk Auditee?	No

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & § 505
JUNE 30, 2011**

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

Item 2011-001 - Noncompliance Finding

Condition/Criteria

Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepares its financial statements and notes following the modified cash basis of accounting. This is a comprehensive basis other than generally accepted accounting principles.

Effect

The accompanying financial statements and footnotes omit assets, liabilities, fund equities, and disclosures that, while material cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report within the required time limits.

Recommendation

We recommend that the District take the necessary steps to ensure the annual report is prepared in accordance with generally accepted accounting principles.

Client Response

The District's Board of Education voted to prepare modified cash statements to save the District money.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & § 505
JUNE 30, 2011**

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

Item 2011-002 - Noncompliance Citation

Condition/Criteria

Ohio Revised Code Section 5705.10(H) states that money paid into any fund shall be used only for the purposes for which such fund is established. As a result, a deficit fund balance indicates that money from one fund was used to cover the expense of another fund.

The following funds reflected a negative cash fund balance at June 30, 2011:

<u>Fund</u>	<u>Deficit</u>
Building Fund	\$ 273,745
Classroom Facilities Fund	1,488,363

Effect

Money is needed from one fund to cover the expenses of another fund, which causes the transferor fund to have less money available for current needs.

Recommendation

We recommend that the Treasurer monitor fund balances to properly ensure that monies from one fund are not utilized to pay the obligations of another fund. To cover temporary cash flow shortages, the District may be able to advance money from other funds. The District can refer to Auditor of State bulletin 97-003 to determine if an advance of funds prevent a deficit cash balance would be appropriate.

Client Response

The District will implement this recommendation.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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

**STATUS OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
JUNE 30, 2011**

The prior audit report, as of June 30, 2010, also included management letter recommendations. Management letter recommendations as of June 30, 2010, have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

Lakota Local School District
Sandusky County
5200 County Road 13
Kansas, Ohio 44841

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 Revised Code. This determination shall be recorded in the audit report. The Auditor of State shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether the Lakota Local School District (the District), Sandusky County, Ohio, has updated its 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. In our report dated November 8, 2011, we noted the Board adopted an anti-harassment policy on June 12, 2006. However, this policy did not include all matters required by Ohio Revised Code Section 3313.666.
2. The Board amended the policy on February 4, 2011. We read the amended policy, noting it now includes all the requirements listed in Ohio Revised Code Section 3313.666.

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 for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.


James G. Zupka, CPA, Inc.
Certified Public Accountants

November 8, 2011

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Dave Yost • Auditor of State

LAKOTA LOCAL SCHOOL DISTRICT

SANDUSKY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 29, 2011