

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

AUDIT REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

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, 2012 through June 30, 2013. 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 cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

December 12, 2013

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**LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Lakota Local School District, Ohio’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2013, and the respective changes in modified cash financial position, and where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the basis of accounting described in Note 2.

Accounting Basis

Ohio Administrative Code § 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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Lakota Local School District, Ohio's basic financial statements.

Management's Discussion and Analysis includes tables of net position, changes in net position, governmental activities, governmental fund balances, and outstanding debt.

The Schedule of Expenditures of Federal Awards (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional analysis and are not a required part of the basic financial statements.

These tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements. We also applied certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in the Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2013, 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* in considering the Lakota Local School District, Ohio's internal control over financial reporting and compliance.



James G. Zupka, CPA, Inc.

Certified Public Accountants

September 27, 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(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, 2013, 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 2013 are:

- In total, net position decreased by \$1,278,619, due primarily to a decrease in operating grants along with the disbursement of existing resources for the building project in 2013.
- General receipts accounted for \$11,404,245 or 86.85 percent of all receipts. Program specific receipts in the form of charges for services and sales, grants, and contributions accounted for \$1,727,088 or 13.15 percent of total receipts of \$13,131,333.
- The District had \$14,409,952 in program disbursements related to governmental activities. Capital outlay disbursements accounted for 9.72 percent of the total disbursements, which highlights the near completion of the District's building acquisition and related construction activity. Excluding capital outlay and the related grant and investment receipts, general receipts were not adequate to provide for the instructional, support services, and other programs.
- The District's major governmental funds are the General Fund and the Classroom Facilities Fund. The General Fund had \$11,416,849 in receipts and other financing sources compared to \$11,251,653 in disbursements and other financing uses. During fiscal year 2013, fund balance of the General Fund increased by \$165,196 from \$1,922,024 to \$2,087,220.
- As expected, the Classroom Facilities Fund experienced a significant decrease in fund balance as the resources in that fund 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 Position* 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 and the Classroom Facilities Fund are by far the most significant funds, and the only funds reported as major funds.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

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.

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), certain liabilities and their related expenses (such as accounts payable), and certain deferred inflows/outflows of resources 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 Position and Statement of Activities

The Statement of Net Position and the Statement of Activities reflect how the District did financially during fiscal year 2013, within the limitations of the modified cash basis of accounting. The Statement of Net Position 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 Position 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 Position and Statement of Activities can be found on pages 12 and 13 of the report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 9 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.

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 Position and Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Proprietary Fund

The District maintains one 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 19-21 of this report. The District does not maintain any enterprise funds

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 position and changes in fiduciary net position on pages 22-23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

The District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position for 2013 compared to 2012 on a modified cash basis:

Table 1 - Net Position

	Governmental Activities	
	2013	2012
ASSETS		
Equity in pooled cash and cash equivalents	\$ 2,365,673	\$ 1,103,592
Cash and cash equivalents in segregated accounts	515,158	2,807,044
Investments	996,281	1,245,095
Total Assets	<u>3,877,112</u>	<u>5,155,731</u>
NET POSITION		
Restricted	1,786,103	3,225,274
Unrestricted	2,091,009	1,930,457
Total Net Position	<u>\$ 3,877,112</u>	<u>\$ 5,155,731</u>

By comparing net position from 2012 to 2013, one can see the overall cash position of the District has diminished as evidenced by the decrease in net position of \$1,278,619; however, major components to this decrease are driven by the decrease in operating grants as a result of several federal funded programs coming to an end along with the District's continued spending for the capital acquisition and construction of the new school facilities.

Table 2 shows the changes in net position for fiscal year 2013, and also presents a comparative analysis to fiscal year 2012 for governmental activities.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Table 2 - Change in Net Position

	Governmental Activities	
	2013	2012
Cash Receipts		
Program Cash Receipts:		
Charges for services	\$ 844,816	\$ 832,598
Operating grants and contributions	882,272	1,648,246
Capital grants and contributions	-	1,615
Total Program Cash Receipts	1,727,088	2,482,459
General Receipts:		
Property taxes	3,592,188	3,447,789
Income taxes	2,001,212	1,976,519
Payments in lieu of taxes	23,859	44,305
Grants and entitlements	5,678,479	5,806,629
Grants from School Facilities Commission	-	328,630
Earnings on investments	10,557	36,927
Sale of assets	-	155,759
All other revenues	97,950	188,584
Total General Receipts	11,404,245	11,985,142
Total Receipts	13,131,333	14,467,601
Cash Disbursements		
Program Disbursements:		
Instruction:		
Regular	4,694,407	4,733,128
Special	1,479,239	1,662,479
Vocational	25,568	16,542
Other	1,783	1,855
Supporting Services:		
Pupils	365,298	428,690
Instructional Staff	794,142	1,059,921
Board of Education	19,030	33,139
Administration	933,449	885,587
Fiscal Services	245,894	233,291
Business	306,127	292,934
Operation and Maintenance of Plant	1,146,897	1,096,433
Pupil Transportation	846,225	880,847
Central	22,078	105,679
Operation of Non-Instructional Services	486,841	459,137
Extracurricular Activities	344,748	348,895
Capital Outlay	1,400,617	4,227,227
Debt Service	1,297,609	1,302,835
Total Cash Disbursements	14,409,952	17,768,619
Change in Net Position	(1,278,619)	(3,301,018)
Net Position - Beginning of Year	5,155,731	8,456,749
Net Position - End of Year	\$ 3,877,112	\$ 5,155,731

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Governmental Activities

The vast majority of receipts supporting all governmental activities are from general receipts. General receipts totaled \$11,404,245 or 86.85 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 District receipts was in the form of program receipts, which equated to \$1,727,088 or only 13.15 percent.

Excluding capital outlay and debt service, the largest disbursement for the District is for instruction programs. Instructional programs disbursements totaled \$6,200,997 or 43.03 percent of the \$14,409,952 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 2013	Total Cost of Services 2012	Net Cost of Services 2013	Net Cost of Services 2012
Instruction	\$ 6,200,997	\$ 6,414,004	\$ 5,223,850	\$ 5,097,643
Supporting Services:				
Pupils and Instructional Staff	1,159,440	1,488,611	1,014,231	1,087,962
Board of Education, Administration, Fiscal Services, and Business	1,504,500	1,444,951	1,483,781	1,399,042
Operation and Maintenance of Plant	1,146,897	1,096,433	1,141,634	1,089,986
Pupil Transportation	846,225	880,847	812,278	870,114
Central	22,078	105,679	22,078	17,024
Operation of Non-Instructional Services	486,841	459,137	14,961	(84,891)
Extracurricular Activities	344,748	348,895	271,825	279,218
Capital Outlay	1,400,617	4,227,227	1,400,617	4,227,227
Debt Services	1,297,609	1,302,835	1,297,609	1,302,835
Total Cost of Services	<u>\$ 14,409,952</u>	<u>\$ 17,768,619</u>	<u>\$ 12,682,864</u>	<u>\$ 15,286,160</u>

The dependence upon taxes and other general receipts is apparent, 84.24 percent of instruction activities and 95.62 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, 2013
(UNAUDITED)**

The District's Funds

The District's governmental funds reported a combined fund balance of \$3,873,323, which is significantly lower than last year's balance of \$5,147,298. The following table indicates the fund balance and the change in fund balance from June 30, 2012 to June 30, 2013 for each major governmental fund and the total of the nonmajor governmental funds.

Table 4 - Governmental Fund Balances

	Fund Balance June 30, 2013	Fund Balance June 30, 2012	Increase (Decrease)	Percent Change
General Fund	\$ 2,087,220	\$ 1,922,024	165,196	8.59%
Classroom Facilities	1,127,284	1,989,344	(862,060)	-43.33%
Other Governmental	658,819	1,235,930	(577,111)	-46.69%
Total	<u>3,873,323</u>	<u>5,147,298</u>	<u>(1,273,975)</u>	-24.75%

The District's General Fund balance increased \$165,196 which can be attributed to cost saving measures, including not replacing staff due to attrition, close monitoring of purchases, etc.

As discussed previously, the Classroom Facilities Capital Projects Fund decreased due to the disbursements of existing resources for the building project in 2013.

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 2013, the District's amended its General Fund budget several times. The original budget's General Fund receipts were \$9,200,000 and final budgeted receipts were \$9,397,529. Actual receipts were \$11,389,757, which was \$1,992,228 higher than the final budgeted receipts.

General Fund original appropriations were \$10,547,438 and final appropriations were \$11,372,438 (which includes prior year encumbrances). The actual budget basis expenditures and other financing uses for fiscal year 2013 totaled \$11,350,630 (which includes current year outstanding encumbrances) which was \$21,808 lower than final appropriations.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Debt Administration

Debt

At June 30, 2013, the District had \$16,685,000 in current interest bonds, \$499,984 in capital appreciation bonds, \$648,387 in accreted interest on the capital appreciation bonds, and \$598,966 in unamortized premium on bonds outstanding. \$227,342 of the bonds outstanding is due within one year and \$18,204,995 is due in more than one year.

The following table summarizes the bonds outstanding at June 30, 2013 and June 30, 2012:

Table 5 - Outstanding Debt as of June 30th

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Current interest bonds	\$ 16,685,000	\$ 17,295,000
Capital appreciation bonds	499,984	499,984
Accreted interest	648,387	380,840
Unamortized premium on bonds	<u>598,966</u>	<u>630,157</u>
Total outstanding debt	<u><u>\$ 18,432,337</u></u>	<u><u>\$ 18,805,981</u></u>

At June 30, 2013, the District had no remaining voted debt margin and an unvoted debt margin of \$146,728.

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 which was completed through the Ohio School Facilities Commission's Exceptional Needs Program.

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 POSITION – MODIFIED CASH BASIS
JUNE 30, 2013**

	<u>Governmental Activities</u>
ASSETS	
Equity in Pooled Cash and Cash Equivalents	\$ 2,365,673
Cash and Cash Equivalents:	
In Segregated Accounts	515,158
Investments	996,281
Total Assets	<u><u>\$ 3,877,112</u></u>
NET POSITION	
Restricted for:	
Capital Projects	\$ 1,173,062
Debt Services	234,130
Classroom Facilities Maintenance	138,388
Locally Funded Programs	39,108
State Funded Programs	67,980
Federally Funded Programs	29,887
Food Services	89,058
Student Activities	14,490
Unrestricted	2,091,009
Total Net Position	<u><u>\$ 3,877,112</u></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, 2013**

	<u>Cash</u>	<u>Program Cash Receipts</u>		<u>Net (Disbursements)</u>
		<u>Disbursements</u>	<u>Charges for</u>	<u>Operating</u>
		<u>Services</u>	<u>Grants and</u>	<u>in Net Position</u>
			<u>Contributions</u>	<u>Governmental</u>
				<u>Activities</u>
Primary Government:				
Governmental Activities				
Instruction:				
Regular	\$ 4,694,407	\$ 559,618	\$ 55,867	\$ (4,078,922)
Special	1,479,239	28,785	291,781	(1,158,673)
Vocational	25,568	-	41,096	15,528
Other	1,783	-	-	(1,783)
Support Services:				
Pupils	365,298	-	9,318	(355,980)
Instructional Staff	794,142	-	135,891	(658,251)
Board of Education	19,030	-	-	(19,030)
Administration	933,449	-	20,719	(912,730)
Fiscal Services	245,894	-	-	(245,894)
Business	306,127	-	-	(306,127)
Operation and Maintenance of Plant	1,146,897	-	5,263	(1,141,634)
Pupil Transportation	846,225	-	33,947	(812,278)
Central	22,078	-	-	(22,078)
Operation of Non-Instructional Services:				
Food Service Operations	485,520	183,490	288,194	(13,836)
Community Services	1,321	-	196	(1,125)
Extracurricular Activities	344,748	72,923	-	(271,825)
Capital Outlay	1,400,617	-	-	(1,400,617)
Debt Service	1,297,609	-	-	(1,297,609)
Total	<u>\$ 14,409,952</u>	<u>\$ 844,816</u>	<u>\$ 882,272</u>	<u>(12,682,864)</u>

General Receipts

Property Taxes levied for:

General Purposes 2,770,425
Debt Service 821,763

Income Taxes levied for:

General Purposes 2,001,212

Payments in Lieu of Taxes 23,859

Grants & Entitlements not Restricted to Specific Programs 5,678,479

Earnings on Investments 10,557

Miscellaneous 97,950

Total General Receipts 11,404,245

Change in Net Position (1,278,619)

Net Position - Beginning of Year 5,155,731

Net Position - End of Year \$ 3,877,112

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, 2013

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Equity in Pooled Cash and Cash Equivalents	\$ 1,703,071	\$ -	\$ 658,813	\$ 2,361,884
Cash and Cash Equivalents:				
In Segregated Accounts	-	515,155	3	515,158
Investments	-	996,276	5	996,281
Interfund Receivable	384,149	-	-	384,149
Total Assets	<u>\$ 2,087,220</u>	<u>\$ 1,511,431</u>	<u>\$ 658,821</u>	<u>\$ 4,257,472</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund Payable	-	384,147	2	384,149
Total Liabilities	<u>-</u>	<u>384,147</u>	<u>2</u>	<u>384,149</u>
Fund Balances:				
Restricted	\$ -	\$ 1,127,284	\$ 658,819	\$ 1,786,103
Assigned	1,847,382	-	-	1,847,382
Unassigned	239,838	-	-	239,838
Total Fund Balances	<u>2,087,220</u>	<u>1,127,284</u>	<u>658,819</u>	<u>3,873,323</u>
Total Liabilities and Fund Balance	<u>\$ 2,087,220</u>	<u>\$ 1,511,431</u>	<u>\$ 658,821</u>	<u>\$ 4,257,472</u>

See accompanying notes to the basic financial statements.

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013

Total Governmental Funds Balance \$ 3,873,323

*Amounts reported for Governmental Activities in the Statement of Net Position
are different because:*

An internal service fund is used by management to charge the costs of 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 Position.

3,789

Net Position of Governmental Activities

\$ 3,877,112

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENT, AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS – GOVERNMENTAL FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2013**

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
RECEIPTS				
Property Taxes	\$ 2,770,425	\$ -	\$ 821,763	\$ 3,592,188
Intergovernmental	5,599,004	-	961,747	6,560,751
Earnings on Investments	1,735	8,721	101	10,557
Tuition	588,403	-	-	588,403
Extracurricular Activities	-	-	72,923	72,923
Charges for Services	-	-	183,490	183,490
Income Taxes	2,001,212	-	-	2,001,212
Payments in Lieu of Taxes	23,859	-	-	23,859
Miscellaneous	73,211	-	24,739	97,950
Total Receipts	<u>11,057,849</u>	<u>8,721</u>	<u>2,064,763</u>	<u>13,131,333</u>
DISBURSEMENTS				
Current:				
Instruction:				
Regular	4,637,666	-	52,097	4,689,763
Special	997,718	-	481,521	1,479,239
Vocational	25,568	-	-	25,568
Other	1,783	-	-	1,783
Support Services:				
Pupils	355,707	-	9,591	365,298
Instructional Staff	611,691	-	182,451	794,142
Board of Education	19,030	-	-	19,030
Administration	905,033	-	28,416	933,449
Fiscal Services	245,894	-	-	245,894
Business	289,082	-	17,045	306,127
Operation and Maintenance of Plant	954,876	-	192,021	1,146,897
Pupil Transportation	740,942	-	105,283	846,225
Central	22,078	-	-	22,078
Operation of Non-Instructional Services:				
Food Service Operations	-	-	485,520	485,520
Community Services	-	-	1,321	1,321
Extracurricular Activities	237,998	-	106,750	344,748
Capital Outlay	-	870,781	529,836	1,400,617
Debt Service:				
Principal Retirement	-	-	610,000	610,000
Interest and Fiscal Charges	-	-	687,609	687,609
Total Disbursements	<u>10,045,066</u>	<u>870,781</u>	<u>3,489,461</u>	<u>14,405,308</u>
Excess of Receipts Over (Under) Disbursements	<u>1,012,783</u>	<u>(862,060)</u>	<u>(1,424,698)</u>	<u>(1,273,975)</u>
OTHER FINANCING SOURCES (USES)				
Advances In	359,000	-	359,000	718,000
Advances Out	(359,000)	-	(359,000)	(718,000)
Transfers In	-	-	847,587	847,587
Transfers Out	(847,587)	-	-	(847,587)
Total Other Financing Sources (Uses)	<u>(847,587)</u>	<u>-</u>	<u>847,587</u>	<u>-</u>
Net Change in Fund Balances	165,196	(862,060)	(577,111)	(1,273,975)
Fund Balances - Beginning of Year	1,922,024	1,989,344	1,235,930	5,147,298
Fund Balances - End of Year	<u>\$ 2,087,220</u>	<u>\$ 1,127,284</u>	<u>\$ 658,819</u>	<u>\$ 3,873,323</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, 2013

Net Change in Fund Balances-Total Governmental Funds \$(1,273,975)

*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 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

(4,644)

Change in Net Position of Governmental Activities

\$(1,278,619)

See accompanying notes to the basic financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET (NON-GAAP BASIS) AND ACTUAL -
GENERAL FUND
FOR FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Receipts				
Property Taxes	\$ 2,800,000	\$ 2,800,000	\$ 2,770,425	\$ (29,575)
Income Taxes	1,463,468	1,511,330	2,001,212	489,882
Intergovernmental	4,094,501	4,228,408	5,599,004	1,370,596
Earnings on Investments	1,269	1,310	1,735	425
Tuition	430,294	444,366	588,403	144,037
Payment in Lieu of Taxes	17,448	18,018	23,859	5,841
Miscellaneous	32,927	34,004	45,026	11,022
Total Receipts	<u>8,839,907</u>	<u>9,037,436</u>	<u>11,029,664</u>	<u>1,992,228</u>
Disbursements				
Current:				
Instruction				
Regular	4,600,122	5,295,889	4,698,016	597,873
Special	674,769	723,002	998,003	(275,001)
Vocational	14,888	14,888	25,568	(10,680)
Other	1,670	1,670	1,783	(113)
Support Services				
Pupils	376,125	376,125	361,050	15,075
Instructional Staff	518,781	589,781	631,102	(41,321)
Board of Education	29,888	29,888	19,150	10,738
Administration	753,626	753,626	878,708	(125,082)
Fiscal Services	209,964	209,964	245,894	(35,930)
Business	252,102	252,102	293,538	(41,436)
Operation and Maintenance of Plant	923,266	933,266	989,463	(56,197)
Pupil Transportation	783,551	783,551	741,692	41,859
Central	19,600	19,600	22,078	(2,478)
Extracurricular Activities				
Sport Oriented Activities	146,402	146,402	156,773	(10,371)
Co-Curricular Activities	63,827	63,827	81,225	(17,398)
Total Disbursements	<u>9,368,581</u>	<u>10,193,581</u>	<u>10,144,043</u>	<u>49,538</u>
Excess of Revenues Over(Under) Disbursements	<u>(528,674)</u>	<u>(1,156,145)</u>	<u>885,621</u>	<u>2,041,766</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	1,093	1,093	1,093	-
Advances In	359,000	359,000	359,000	-
Advances Out	(524,025)	(524,025)	(359,000)	165,025
Transfers Out	(654,832)	(654,832)	(847,587)	(192,755)
Total Other Financing Sources (Uses)	<u>(818,764)</u>	<u>(818,764)</u>	<u>(846,494)</u>	<u>(27,730)</u>
Net Change in Fund Balance	(1,347,438)	(1,974,909)	39,127	2,014,036
Fund Balance - Beginning of Year	1,849,512	1,849,512	1,849,512	-
Prior Year Encumbrances Appropriated	47,438	47,438	47,438	-
Fund Balance - End of Year	<u>\$ 549,512</u>	<u>\$ (77,959)</u>	<u>\$ 1,936,077</u>	<u>\$ 2,014,036</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF FUND NET POSITION – MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2013**

	<u>Governmental Activities Internal Service Funds</u>
ASSETS	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 3,789</u>
NET POSITION	
Unrestricted	<u>\$ 3,789</u>

See accompany notes to the basic financial statements.

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

STATEMENT OF DISBURSEMENTS AND CHANGES IN FUND NET POSITION –
MODIFIED CASH BASIS - PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Governmental Activities
	Internal Service Funds
OPERATING RECEIPTS	
Charges for Services	\$ 88,932
Total Operating Receipts	88,932
OPERATING DISBURSEMENTS	
Purchased Services	93,576
Total Operating Disbursements	93,576
Change in Net Position	(4,644)
Net Position - Beginning of Year	8,433
Net Position - End of Year	\$ 3,789

See accompany 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, 2013**

	Governmental Activities
	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Charges for Services	\$ 88,932
Cash Payments for Purchased Services	(93,576)
Net Cash Used by Operating Activities	<u>(4,644)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(4,644)
Cash and Cash Equivalents - Beginning of Year	8,433
Cash and Cash Equivalents - End of Year	<u><u>\$ 3,789</u></u>
RECONCILIATION OF OPERATING LOSS	
Operating Loss	\$ (4,644)
Net Cash Used by Operating Activities	<u><u>\$ (4,644)</u></u>
See accompanying notes to the basic financial statements	

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

STATEMENT OF FIDUCIARY NET POSITION –MODIFIED CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2013

	<u>Private Purpose Trust</u>	<u>Agency</u>
<u>Assets</u>		
Equity in Pooled Cash and Cash Equivalents	\$ 13,958	\$ 24,218
Total Assets	<u>13,958</u>	<u>24,218</u>
 Net Position		
Held in Trust for Scholarships	13,958	-
Held on Behalf of Students	-	24,218
Total Net Position	<u>\$ 13,958</u>	<u>\$ 24,218</u>

See accompanying notes to the basic financial statements.

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – MODIFIED CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Private Purpose Trust</u>
<u>Additions</u>	
Interest	\$ 36
Miscellaneous	775
Total Additions	<u>811</u>
<u>Deductions</u>	
Scholarships Awarded	<u>950</u>
Change in Net Position	(139)
Net Position - Beginning of Year	<u>14,097</u>
Net Position - End of Year	<u><u>\$ 13,958</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, 2013**

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 is staffed by 75 non-certified employees and 77 certified full-time teaching personnel, who provide services to 1,044 students and other community members. The District currently operates 1 instructional building 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, 2013
(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. Financial information is available from Matt Bauer, who serves as controller, at 1210 E. Bogart Rd., 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 Alan Binger, 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 11B 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, 2013
(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. 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 Position 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 Position 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 Position 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, 2013
(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.

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 dental benefits to employees.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(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), 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), and deferred inflows/outflows of resources 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, 2013
(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 2013, investments were limited to STAR Ohio, negotiable Certificates of Deposits, and U.S. Government money market mutual fund. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for at June 30, 2013. The 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, 2013.

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 2013 was \$1,735, which included \$193 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, 2013
(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.

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, 2013
(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 Position

Net position is reported as restricted when there are limitations imposed on its 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 Position reports restricted net assets of \$1,786,103. 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 position 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 2013.

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 2013.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(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.

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 ACCOUNTING PRINCIPLES**

GASB Statement Number 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011 and have been implemented by the District.

GASB Statement Number 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2012 and have been implemented by the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

NOTE 3: **CHANGE IN ACCOUNTING PRINCIPLES** (Continued)

GASB Statement Number 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements which does not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011 and have been implemented by the District.

GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011 and have been implemented by the District.

GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented by the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(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 Fund, Classroom Facilities Fund, and other governmental funds are presented below:

Fund Balances	General	Classroom Facilities	Nonmajor Governmental Funds	Total
<i>Restricted for</i>				
Capital Improvements	-	1,127,284	45,778	1,173,062
Debt Services	-	-	234,130	234,130
Classroom Facilities Maintenance	-	-	138,388	138,388
Locally Funded Programs	-	-	39,108	39,108
State Funded Programs	-	-	67,980	67,980
Federally Funded Programs	-	-	29,887	29,887
Food Services	-	-	89,058	89,058
District Managed Student Activities	-	-	14,490	14,490
<i>Total Restricted</i>	<u>-</u>	<u>1,127,284</u>	<u>658,819</u>	<u>1,786,103</u>
<i>Assigned to</i>				
FY 2013 Appropriations	1,696,239	-	-	1,696,239
Public School	25,752	-	-	25,752
Purchases on Order	125,391	-	-	125,391
<i>Total Assigned</i>	<u>1,847,382</u>	<u>-</u>	<u>-</u>	<u>1,847,382</u>
<i>Unassigned</i>	239,838	-	-	239,838
Total Fund Balances	<u><u>\$ 2,087,220</u></u>	<u><u>\$ 1,127,284</u></u>	<u><u>\$ 658,819</u></u>	<u><u>\$ 3,873,323</u></u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

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 position/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.

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
Final Budget			
<u>Major Fund:</u>			
General	\$ 11,247,041	\$ 11,325,000	\$(77,959)
<u>Nonmajor Funds:</u>			
Permanent Improvement	186,315	217,415	(31,100)
Building	389,186	503,100	(113,914)

Negative Cash Balances

Contrary to Ohio Revised Code Section 5705.10, the District had a negative cash balance at June 30, 2013, in the following fund:

	<u>Deficit</u>
Major Fund:	
Classroom Facilities	\$384,147

The negative cash balance in equity in pooled cash and cash equivalents caused other funds to cover the deficit in this fund. The overdrawn fund had segregated cash and cash equivalents and investments that could have been liquidated and used to cover the negative cash balance in equity in pooled cash and cash equivalents at June 30, 2013. As of the date of this report, management has not made any formal long-term plans to address the deficit that remains in the Classroom Facilities Fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

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 \$125,391. 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 \$27,092, \$26,414, and \$25,074, respectively.

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;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 7: DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio 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 (STAR Ohio);
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.

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, \$913,743 of the District's bank balance of \$1,193,447 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution. 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.

**LAKOTA LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

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

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.

Investments

As of June 30, 2013, the District had the following investments and maturities:

Investments	Carrying Value	Investment Maturities	
		One Year or Less	1 - 2 Years
STAR Ohio	\$ 1,264,775	\$ 1,264,775	\$ -
Negotiable CDs	996,281	746,641	249,640
Mutual Funds	515,158	515,158	-
Totals	\$ 2,776,214	\$ 2,526,574	\$ 249,640

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 STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio 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 has no investment policy that would further limit its investment choices. Credit ratings for the District's investments in negotiable CD's and mutual funds were not available.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

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

Concentration of Credit Risk The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2013:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>% of Total</u>
STAROhio	\$ 1,264,775	45.55
Negotiable CDs	996,281	35.89
Mutual Funds	<u>515,158</u>	<u>18.56</u>
Total Investments	<u>\$ 2,776,214</u>	<u>100.00</u>

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 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, 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 2013 represent the collection of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected in 2013 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, 2013, are available to finance fiscal year 2013 operations. The amount available as an advance at June 30, 2013 was \$396,239 in the General Fund and \$123,239 in the Bond Retirement Fund (a nonmajor governmental fund). The amount available for advance at June 30, 2012 was \$330,840 in the General Fund and \$101,326 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 8: PROPERTY TAXES (Continued)

The assessed value upon which the fiscal year 2013 taxes were collected is:

	2012 Second Half		2013 First Half	
	Collections		Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 139,451,930	95.40%	\$ 140,152,940	95.52%
Public Utility Personal	6,726,650	4.60	6,574,780	4.48
Total	<u>\$ 146,178,580</u>	<u>100.00%</u>	<u>\$ 146,727,720</u>	<u>100.00%</u>
 Tax Rate per \$1,000 of Assessed Valuation	 <u>\$ 42.70</u>		 <u>\$ 42.70</u>	

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 are credited to the general fund and totaled \$2,001,212 for fiscal year 2013.

NOTE 10: INTERFUND TRANSACTIONS

During fiscal year 2013, 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, \$62,000 to the Classroom Facilities Maintenance Fund to cover expenditures exceeding receipts, \$20,038 to the District Managed Student Activities Fund to cover expenditures exceeding receipts, \$3,729 to the Title I School Improvement Stimulus A Fund to cover expenditures exceeding receipts, and \$251,820 to the Title I – Disadvantaged Children/Targeted Assistance Fund to cover expenditures exceeding receipts.

During the fiscal year, the General Fund advanced \$359,000 to various special revenue funds. These advances were used to cover current operating expenses and grant expenses until reimbursement was received. All of the advances were returned to the General Fund during the fiscal year. These advances comply with the Ohio Revised Code.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

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 2013, the District contracted with Ohio Casualty to purchase insurance policies for the following exposures: various property coverage, general liability coverage, crime coverage, inland marine coverage, automobile coverage, and umbrella coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. Also, the District has not materially reduced its coverage in the past year.

B. **Workers' Compensation Plan**

For fiscal year 2013, 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 Dearborn National 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

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

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 \$1,906.02 (Plan I) and \$1,587.45 (Plan II). The premium for single coverage is \$697.17 (Plan I) and \$580.67 (Plan II). The Board pays 93 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.

NOTE 12: **PENSION PLANS**

A. **School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 can be obtained on SERS' website at www.ohsers.org under *Employer/Audit Resources*.

Funding Policy - Plan members are required to contribute 10.00 percent of their annual covered salary and the District is required to contribute 14.00 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14.00 percent employer contribution rate is allocated to the Health Care and Medicare B funds. The District's pension and death benefits contributions to SERS for the years ended June 30, 2013, 2012, and 2011 were \$232,340, \$233,370, \$206,841, respectively; 67.09 percent has been contributed for fiscal year 2013 and 100 percent for fiscal year 2012 and 2011.

**LAKOTA LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

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

B. State Teachers Retirement System of Ohio

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, Ohio 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Ohio Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.20 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.50 percent with an additional one-tenth of a percent added to the calculation for every year over 31 years (2.60 percent for 32 years, 2.70 percent for 33 years and so on) until 100.00 percent of the final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.50 percent instead of 2.20 percent. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

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

B. State Teachers Retirement System of Ohio (Continued)

DC Plan Benefits - Benefits are established under Sections 3307.80 to 3307.89 of the Ohio Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.50 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the members' designated beneficiary is entitled to receive the members' account balance.

Combined Plan Benefits - Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1.00 percent of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to members on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3.00 percent of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

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

B. State Teachers Retirement System of Ohio (Continued)

For fiscal year ended June 30, 2012 (the latest information available), members were required to contribute 10.00 percent of their annual covered salary and the District was required to contribute 14.00 percent. Member and employer contribution rates were established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10.00 percent for members and 14.00 percent for employers provided by Chapter 3307 of the Ohio Revised Code. Of the 14.00 percent contributed by the District, 13.00 percent was the portion used to fund pension obligations.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$468,485, \$488,075, \$486,564, respectively; 82.14 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Member and employer contributions actually made for the Defined Contribution and Combined Plan participants will be provided upon written request.

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, 2013, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13: **POST-EMPLOYMENT BENEFITS**

A. School Employees Retirement System

Plan Description – In addition to a cost-sharing multiple-employer defined benefit pension plan described in Note 13, SERS administers two postemployment benefit plans.

Medicare Part B Plan - The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. 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 monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation is 0.74 percent. For the fiscal years ended June 30, 2013, 2012, and 2011, the District's contributions to the Medicare Part B Plan were \$13,125, \$13,782, \$13,311, respectively; 67.09 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

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

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

Health Care Plan – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plan from various vendors, 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 ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code § 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14.00 percent contribution to the Health Care Fund. For the year ended June 30, 2013, the health care allocation is 0.16 percent. 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 2.00 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.50 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14.00 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2013, 2012 and 2011 were \$33,006, \$35,963, \$41,496, respectively; 67.09 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The SERS 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 financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

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

Plan Description – STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan, and a Combine Plan that is a hybrid of the Defined Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 13: POST-EMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System of Ohio (Continued)

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy - Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14.00 percent employer contribution rate, 1.00 percent of covered payroll was allocated to post-employment health care for years ended June 30, 2012, 2011 and 2010 (the latest information available). The 14.00 percent employer contribution rate is the maximum rate established under Ohio law. For the fiscal years ended June 30, 2013, 2012, and 2011, the District's contributions to post-employment health care were \$36,037, \$37,544, \$37,428, respectively; 82.14 percent has been contributed for 2013 and 100 percent for fiscal years 2012 and 2011.

NOTE 14: LONG-TERM OBLIGATIONS

A. Governmental Activities

During fiscal year 2013, the following changes occurred in governmental activities' long-term obligations:

	Balance Outstanding 6/30/2012	Additions	Reductions	Balance Outstanding 6/30/2013	Due Within One Year
Governmental Activities:					
<u>General Obligation Bonds</u>					
Series 2008A Issue:					
Current Interest Bonds	\$ 8,925,000	\$ -	\$ (260,000)	\$ 8,665,000	\$ -
Capital Appreciation Bonds	199,992	-	-	199,992	107,862
Accreted Interest	138,615	89,647	-	228,262	-
Series 2008B Issue:					
Current Interest Bonds	2,095,000	-	(60,000)	2,035,000	-
Capital Appreciation Bonds	10,000	-	-	10,000	6,017
Accreted Interest	28,884	32,952	-	61,836	-
Series 2008C Issue:					
Current Interest Bonds	6,275,000	-	(290,000)	5,985,000	-
Capital Appreciation Bonds	289,992	-	-	289,992	113,463
Accreted Interest	213,341	144,948	-	358,289	-
Total General Obligation Bonds Payable	<u>18,175,824</u>	<u>267,547</u>	<u>(610,000)</u>	<u>17,833,371</u>	<u>227,342</u>
Unamortized Premium on Bond Issue	630,157	-	(31,191)	598,966	-
Total Long-Term Obligations	<u>\$ 18,805,981</u>	<u>\$ 267,547</u>	<u>\$ (641,191)</u>	<u>\$ 18,432,337</u>	<u>\$ 227,342</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 14: LONG-TERM OBLIGATIONS (Continued)

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.

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 Position. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

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

B. **General Obligation Bonds** (Continued)

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

For the Year Ending June 30,	Total Current Interest Bonds			Total Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ -	\$ 677,371	\$ 677,371	\$ 227,342	\$ 407,658	\$ 635,000
2015	-	677,371	677,371	191,855	443,145	635,000
2016	335,000	670,834	1,005,834	80,787	219,213	300,000
2017	645,000	651,519	1,296,519	-	-	-
2018	670,000	625,428	1,295,428	-	-	-
2019-2023	3,785,000	2,694,119	6,479,119	-	-	-
2024-2028	4,605,000	1,857,780	6,462,780	-	-	-
2029-2033	4,515,000	869,811	5,384,811	-	-	-
2034-2036	2,130,000	139,110	2,269,110	-	-	-
Total	<u>\$ 16,685,000</u>	<u>\$ 8,863,343</u>	<u>\$ 25,548,343</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, 2013, resulted in no remaining voted debt margin and an unvoted debt margin of \$146,728.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(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 set-asides are calculated and presented on a cash basis. During the fiscal year ended June 30, 2013, the set-aside activity was as follows:

	Capital Improvements
Set-aside Balance as of June 30, 2012	\$ -
Current Year Set-aside Requirement	175,188
Current Year Qualifying Expenditures	(1,428,710)
Totals	\$ (1,253,522)
Balance Carried Forward to Fiscal Year 2014	\$ -
Set-aside Balance as of June 30, 2013	\$ -

NOTE 16: **CONTINGENCIES**

A. **Grants**

The School District received financial assistance from Federal and State 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

B. **Litigation**

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

**LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Pass- Federal Through CFDA Grantor Number 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 2013	\$ 68,548	\$ 0	\$ 68,548	\$ 0
National School Lunch Program (Note 2)	10.555 2013	217,014	30,433	217,014	30,433
<i>Total Child Nutrition Cluster</i>		<u>285,562</u>	<u>30,433</u>	<u>285,562</u>	<u>30,433</u>
Total U.S. Department of Agriculture		<u>285,562</u>	<u>30,433</u>	<u>285,562</u>	<u>30,433</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 2012	40,342	0	43,783	0
Title I-Grants to Local Educational Agencies	84.010 2013	0	0	228,147	0
<i>Total Title I, Part A Cluster</i>		<u>40,342</u>	<u>0</u>	<u>271,930</u>	<u>0</u>
<i>Special Education Cluster</i>					
Special Education Grants to States - IDEA Part B	84.027 2013	275,261	0	275,261	0
Early Childhood Special Education Grants - IDEA Preschool	84.173 2013	12,267	0	12,267	0
<i>Total Special Education Cluster</i>		<u>287,528</u>	<u>0</u>	<u>287,528</u>	<u>0</u>
Migrant Education - State Grants Program	84.011 2012	148,900	0	160,068	0
Migrant Education - State Grants Program	84.011 2013	20,346	0	14,134	0
<i>Total CFDA #84.011</i>		<u>169,246</u>	<u>0</u>	<u>174,202</u>	<u>0</u>
Title II-A - Improving Teacher Quality - State Grants	84.367 2013	48,368	0	48,368	0
<i>Total CFDA #84.367</i>		<u>48,368</u>	<u>0</u>	<u>48,368</u>	<u>0</u>
School Improvement Grants	84.377 2013	0	0	3,729	0
ARRA - Race to the Top	84.395 2013	2,100	0	0	0
Total U.S. Department of Education		<u>547,584</u>	<u>0</u>	<u>785,757</u>	<u>0</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 833,146</u>	<u>\$ 30,433</u>	<u>\$ 1,071,319</u>	<u>\$ 30,433</u>

See accompanying notes to Supplemental 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, 2013**

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.

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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, in accordance with the 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, 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 (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Lakota Local School District, Ohio's basic financial statements, and have issued our report thereon dated September 27, 2013, wherein we noted that the Lakota Local School District, Ohio, uses a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lakota Local School District, Ohio's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Lakota Local School District, Ohio's internal control.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lakota Local School District, Ohio's financial statements are free from 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* and which are described in the accompanying Schedule of Findings and Questioned Costs as **Item 2013-001**, **Item 2013-002**, and **Item 2013-003**.

Lakota Local School District, Ohio's Responses to Findings

The Lakota Local School District, Ohio's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Lakota Local School District, Ohio's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lakota Local School District, Ohio's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lakota Local School District, Ohio's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

September 27, 2013

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

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**REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

Board of Education
Lakota Local School District
Kansas, Ohio

Report on Compliance for Each Major Federal Program

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 the Lakota Local School District, Ohio's major federal program for the year ended June 30, 2013. The Lakota Local School District, Ohio's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of the Lakota Local School District, Ohio's major federal program based on our audit of the types of compliance requirements referred to above. 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 on compliance for its major federal program. However, our audit does not provide a legal determination of the Lakota Local School District, Ohio's compliance.

Opinion on Each Major Federal Program

In our opinion, the Lakota Local School District, Ohio, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Lakota Local School District, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Lakota Local School District, Ohio's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


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

September 27, 2013

**LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
JUNE 30, 2013**

SUMMARY OF AUDITOR'S RESULTS

2013(i)	Type of Financial Statement Opinion	Unmodified
2013(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2013(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2013(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
2013(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2013(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2013(v)	Type of Major Program's Compliance Opinion	Unmodified
2013(vi)	Are there any reportable findings under .510(a)?	No
2013(vii)	Major Programs (list): Child Nutrition Cluster: School Breakfast Program - CFDA #10.553 National School Lunch Program - CFDA #10.555	
2013(viii)	Dollar Threshold: Type A/B Program	Type A: \$300,000 or more Type B: All others less than \$300,000
2013(ix)	Low Risk Auditee?	Yes

**LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
JUNE 30, 2013**

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

Item 2013-001 - Noncompliance Finding – Annual Financial Report

Condition/Criteria

Ohio Revised Code § 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 § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code § 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 § 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, 2013**

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

Item 2013-002 - Noncompliance Citation – Negative Cash Fund Balances

Condition/Criteria

Ohio Revised Code § 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, 2013:

<u>Fund</u>	<u>Deficit</u>
Classroom Facilities Fund	\$ 384,147

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.

**LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
JUNE 30, 2013**

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

Item 2013-003 - Noncompliance - Appropriations Exceed Estimated Resources

Condition/Criteria

Ohio Revised Code § 5705.39 prohibits appropriations from each fund exceeding the total of the estimated resources.

Cause/Effect

During our compliance testing, we noted two funds that had original and final appropriations exceeding original and final estimated resources. Ohio Revised Code § 5705.39 provides, in part, that total appropriations from each fund shall not exceed the total estimated resources (estimated revenues plus unencumbered fund balances).

<u>Fund</u>	<u>Final Estimated Resources</u>	<u>Final Appropriations</u>	<u>Variance</u>
<u>Major Governmental Fund</u>			
General Fund	\$ 11,247,041	\$ 11,325,000	\$ (77,959)
<u>Non-Major Governmental Funds</u>			
Permanent Improvement Fund	186,315	217,415	(31,100)
Building Fund	389,186	503,100	(113,914)

Recommendation

We recommend that the District follow the guidance provided in Ohio Revised Code § 5705.39 by amending the appropriations to a level that does not exceed the amended certificate.

Client Response

The District will implement this recommendation.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Corrected?</u>	<u>Explanation</u>
2012-001	Reporting on Modified Cash Basis	No	Reported as Finding 2013-001
2012-002	Negative Cash Balances	No	Reported as Finding 2013-002
2012-003	Internal Controls Over Athletic Receipts	Yes	Fully corrected.

The prior audit report, as of June 30, 2012, also included management letter recommendations. Management letter recommendations as of June 30, 2012, have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



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 24, 2013**