

# Lockland Local School District

Basic Financial Statements  
Year Ended June 30, 2009  
with Independent Auditors' Report





Mary Taylor, CPA  
Auditor of State

Board of Education  
Lockland Local School District  
210 N. Cooper Ave  
Lockland, Ohio 45215

We have reviewed the *Independent Auditors' Report* of the Lockland Local School District, Hamilton County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2008 through June 30, 2009. 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 Lockland Local School District is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

May 24, 2010

**This Page is Intentionally Left Blank.**

**TABLE OF CONTENTS**

Independent Auditors' Report ..... 1 - 2

Management's Discussion and Analysis ..... 3 - 9

Basic Financial Statements:

    Government-wide Financial Statements:

        Statement of Net Assets – Cash Basis ..... 10

        Statement of Activities – Cash Basis ..... 11

    Fund Financial Statements:

        Statement of Assets and Fund Balances -  
        Cash Basis – Governmental Funds ..... 12

        Statement of Cash Receipts, Disbursements and Changes in  
        Fund Balances – Cash Basis - Governmental Funds ..... 13

        Statement of Fiduciary Net Assets – Cash Basis - Fiduciary Funds ..... 14

    Notes to the Basic Financial Statements ..... 15 - 33

Required Supplementary Information

    Schedule of Receipts, Disbursements and Changes in  
    Fund Balance - Budget and Actual – General Fund ..... 34

    Notes to the Required Supplementary Information ..... 35

Additional Information:

    Schedule of Expenditures of Federal Awards ..... 36

    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* ..... 37 - 38

    Report on Compliance with Requirements Applicable to Each Major  
    Program and On Internal Control Over Compliance in Accordance  
    with OMB Circular A-133 ..... 39 - 40

    Schedule of Findings and Questioned Costs – With Management Responses ..... 41 - 44

    Schedule of Prior Audit Findings ..... 45 - 46

Other Information:

    Independent Accountant's Report on Applying Agreed-upon Procedures ..... 47 - 48

## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Lockland Local School District:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lockland Local School District (the School District) as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-02-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on the cash basis of accounting. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lockland Local School District as of June 30, 2009, and the respective changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2010 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

160 north breiel blvd.  
middletown, oh 45042

www.cshco.com  
p. 513.424.5000  
f. 513.422.7882

The Management's Discussion and Analysis and budgetary comparison information on pages 3 through 9 and 34 through 35 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Clark, Schaefer, Hochstedt & Co.*

Middletown, Ohio  
April 27, 2010

## **LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2009*

*Unaudited*

---

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

The discussion and analysis of the Lockland Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

#### **Financial Highlights**

Key financial highlights for 2009 are as follows:

- For governmental activities, net assets decreased \$639,562, which represents a 13 percent decrease from 2008.
- General receipts accounted for \$6 million or 68 percent of all governmental receipts. Program specific receipts in the form of charges for services and sales, and operating grants and contributions accounted for \$2.8 million or 32 percent of total governmental receipts of \$8.7 million.
- The District had \$9.4 million in disbursements related to governmental activities; only \$2.8 million of these disbursements were offset by program specific charges for services and sales, and operating grants and contributions. General receipts (primarily taxes and unrestricted grants and entitlements) of \$6.3 million provided resources for these programs but did not cover the full costs resulting in a decrease of net assets of \$639,562.
- The District's major funds were the general fund and debt service fund. All governmental funds had total receipts of \$8.7 million and disbursements of \$9.4 million. The net change in fund balance for the year was most significant in the general fund, where the general fund's balance decreased by \$1.0 million for fiscal year 2009.

#### **Using the 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 Government's cash basis of accounting.

#### **Report Components**

The Statement of Net Assets and Statement of Activities provide information about the cash activities of the District as a whole. Fund financial statements provide the next level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.



## **LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2009*

*Unaudited*

---

The notes to the financial statements 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 cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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

### **Reporting the District as a Whole**

The *Statement of Net Assets* and the *Statement of Activities* reflect how the District performed financially during 2009, within the limitations of cash basis accounting. *The Statement of Net Assets* presents the cash balances and investments of the governmental activities of the District at year-end. The *Statement of Activities* compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, the reader can utilize these statements as one measure of the District's financial condition. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial condition is improving or deteriorating. When evaluating the District's financial condition, the reader should also consider other nonfinancial factors as well, such as the District's property tax base, the condition of the District's capital assets, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the *Statement of Net Assets* and the *Statement of Activities*, all of the District's programs and services are reported as Governmental Activities.

# LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

## Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

Unaudited

### Reporting the District's Most Significant Funds

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's major funds.

**Governmental funds.** All of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

**Fiduciary Funds.** The District only has an agency fund. All of the District's fiduciary activity is reported in a separate Statement of Fiduciary Net Asset – Cash Basis. We excluded these activities from the District's other financial statements because the District cannot use these assets to finance its operations. Agency funds are custodial in nature and do not involve measurement of results of operations.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

#### A. Net assets at year-end

The following table presents a condensed summary of the School District's net assets at June 30, 2009 and 2008:

	2009 Governmental Activities	2008 Governmental Activities
<b>Assets:</b>		
Cash and Investments	\$4,366,403	\$5,005,965
<i>Total Assets</i>	<u>\$4,366,403</u>	<u>\$5,005,965</u>
<b>Net Assets:</b>		
Restricted	\$1,817,027	\$1,608,657
Unrestricted	2,549,376	3,397,308
<i>Total Net Assets</i>	<u>\$4,366,403</u>	<u>\$5,005,965</u>

The restricted net assets include amounts restricted for capital projects, debt service, set-asides and other purposes. These amounts are held to be used for specific purposes. The balance of unrestricted net assets (\$2,549,376) may be used to meet the government's ongoing obligations to citizens and creditors.

The decrease in cash is largely a result of a decline in property tax revenues. A large one-time delinquent tax was collected in 2008.

The table below shows the net changes in net assets for fiscal year 2009 compared to 2008.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited*

	2009 Governmental Activities	2008 Governmental Activities	Increase (Decrease)
<b>Receipts:</b>			
<b>Program Receipts:</b>			
Charges for Services and Sales	\$ 998,132	\$ 1,140,155	\$ (142,023)
Operating Grants and Contributions	1,778,824	1,635,698	143,126
<b>Total Program Receipts</b>	<b>2,776,956</b>	<b>2,775,853</b>	<b>1,103</b>
<b>General Receipts:</b>			
Property Taxes	2,979,184	4,489,968	(1,510,784)
Grants and Entitlements	2,889,832	2,623,778	266,054
Investment Earnings	64,202	202,645	(138,443)
Refund of Prior Year Expenditures	-	76,693	(76,693)
Miscellaneous	35,160	99,007	(63,847)
<b>Total General Receipts</b>	<b>5,968,378</b>	<b>7,492,091</b>	<b>(1,523,713)</b>
<b>Total Receipts</b>	<b>8,745,334</b>	<b>10,267,944</b>	<b>(1,522,610)</b>
<b>Disbursements:</b>			
<b>Instruction:</b>			
Regular	3,646,353	3,623,802	22,551
Special	697,541	472,526	225,015
Vocational	37,430	61,313	(23,883)
Other	23,486	3,315	20,171
<b>Support Services:</b>			
Pupils	387,729	418,476	(30,747)
Instructional Staff	640,425	793,408	(152,983)
Board of Education	106,878	28,000	78,878
Administration	869,710	963,254	(93,544)
Fiscal	287,819	295,515	(7,696)
Business	5,124	78,513	(73,389)
Operation and Maintenance of Plant	1,012,009	1,062,480	(50,471)
Pupil Transportation	14,762	53,391	(38,629)
Central	135,839	21,623	114,216
<b>Non-instructional services:</b>			
Extracurricular activities	271,875	288,415	(16,540)
Community services	136,625	2,582	134,043
Food service	198,918	420,289	(221,371)
Capital outlay	466,538	-	466,538
Principal retirement	370,000	395,000	(25,000)
Interest on long-term debt	75,835	85,611	(9,776)
<b>Total Disbursements</b>	<b>9,384,896</b>	<b>9,067,513</b>	<b>317,383</b>
<b>Changes in Net Assets</b>	<b>(639,562)</b>	<b>1,200,431</b>	<b>(1,839,993)</b>
<b>Beginning Net Assets</b>	<b>5,005,965</b>	<b>3,805,534</b>	
<b>Ending Net Assets</b>	<b>\$ 4,366,403</b>	<b>\$ 5,005,965</b>	

Of the total governmental activities receipts of \$8,745,334, \$2,776,956 (32%) is from program receipts. This means that the government relies on general receipts to fund the majority of the cost of services provided to the citizens. Of those general receipts, 50% (\$2,979,184) comes from property tax levies and 48% (2,889,832) is from state funding. The School District's operations are reliant upon its property tax levy and state's foundation program.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited*

*Governmental Activities*

The following table presents the total cost of each of the government's primary services, and the comparative net cost after deducting the receipts generated by each function. \$2,776,956 of the cost of the general government programs was recouped in program receipts. Instruction costs were \$4,404,810 but program receipts contributed to fund 33% of these costs. Thus, general receipts of \$2,945,441 were used to support the remainder of the instruction costs.

The School District's governmental activities net assets decreased by \$639,562. This decrease is the result of a significant decline in revenues. The District received a significant delinquent tax payment in 2008 that was not received in 2009. Capital outlay increased as a result of installing a turf field despite a large donation being received.

**Total and Net Cost of Program Services  
Governmental Activities**

	2009		2008	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$4,404,810	\$2,945,441	\$4,160,956	\$2,038,683
Support Services:				
Pupils and Instructional Staff	1,028,154	454,588	1,211,884	930,273
Board of Education, Administration, Fiscal and Business	1,269,531	1,234,980	1,365,282	1,360,979
Operation and Maintenance of Plant	1,012,009	1,012,009	1,062,480	1,060,759
Pupil Transportation	14,762	14,762	53,391	53,391
Central	135,839	133,769	21,623	10,553
Non-instructional services:				
Extracurricular activities	271,875	240,796	288,415	235,566
Community services	136,625	(2,519)	2,582	2,582
Food Service	198,918	5,929	420,289	118,263
Capital Outlay	466,538	122,350	-	-
Principal retirement	370,000	370,000	395,000	395,000
Interest on long-term debt	75,835	75,835	85,611	85,611
<b>Total Disbursements</b>	<b>\$9,384,896</b>	<b>\$6,607,940</b>	<b>\$9,067,513</b>	<b>\$6,291,660</b>

## **LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2009*

*Unaudited*

---

### **FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS**

#### ***Governmental funds***

The District has two major governmental funds: the General Fund and the Debt Service Fund. Assets of these funds comprise \$3,958,361 (91%) of the total \$4,366,403 governmental fund assets.

**General Fund:** Fund balance at June 30, 2009 was \$3,201,571, including \$2,176,187 of unreserved fund balance, which represents 32% of disbursements for fiscal year 2009. The primary reason for the decrease in fund balance is due to the decreasing receipts of property taxes coupled with the inflationary increases in costs.

**Debt Service Fund:** The fund balance at June 30, 2009 was \$756,790, which will be used for future principal and interest payments on long-term debt. Current year change in fund balance was an increase of \$223,171.

#### ***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 2009, the District amended its general fund budget numerous times. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, budget basis receipts and other financing sources were \$6.25 million, a decrease from original estimates of \$6.6 million due to less collections of property tax receipts than originally expected. Total actual disbursements and other financing uses were originally budgeted for \$7.6 million but were revised to \$8.9 million. Actual disbursements were \$7.5 million due to careful monitoring of expenditures with less revenues available.

#### **Capital Assets and Debt Administration**

##### ***Capital Assets***

The District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements.

##### ***Debt***

Under the cash basis of accounting the District does not report bonds, long-term notes or short-term notes in the accompanying cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following information about debt.

At June 30, 2009, the District had \$1,430,000 in general obligation bonds outstanding. The District also had \$599,440 in capital appreciation bonds outstanding at fiscal year end. These bonds are accreted each year until due. The amount due within one year is \$350,000. See Note 5 to the basic financial statements for more information regarding debt obligations.

## **LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited*

---

### **Current Financial Related Activities**

The District had approximately \$2.5 million in unrestricted net assets on the cash basis as of June 30, 2009. As the preceding information shows, the District heavily depends on its property taxpayers. However, financially the future is not without challenges.

In June of 2005, the State legislature passed House Bill 66. House Bill 66 phases out the tax on tangible personal property of general business, telephone, and telecommunications companies, and railroads. The tax on general business and railroad property will begin being phased out in 2006 and will be eliminated by 2009. The tax on telephone and telecommunications property will begin being phased out in 2009 and will be eliminated by 2011. The tax is being phased out by reducing the assessment rate on the property each year. In the first five years, school districts are to be reimbursed fully for the lost revenue; in the following seven years, the reimbursements are phased out.

While the District was successful in increasing its tax revenue base in 2000, this increase was a one-time increase. State law fixes the amount of this increase, forcing it to remain nearly constant. Thus management must diligently plan expenses, staying carefully within the District's five-year forecast.

Declining state foundation payments due to increased property valuations provide no significant increase in future revenues. This decline is due to the increasing valuation charge-offs in determining state foundation payments. The increases in property tax revenues are almost offset by decreases in state foundation payments. With its major sources of revenue not keeping pace with expenditure increases, the District must seek additional tax revenues to continue current operations. However, the District cannot look to the State of Ohio for increased revenue.

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations. Virtually no additional state revenue will be available to the District. Thus, both taxes and state revenue are fixed or declining.

The scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years. All of the District's financial abilities will be needed to meet the challenges of the future.

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer at Lockland Local School District, 210 N. Cooper Avenue, Lockland, Ohio 45215.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

Statement of Net Assets - Cash Basis

June 30, 2009

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in pooled cash and investments	\$ 3,494,974
Restricted cash	<u>871,429</u>
<b>Total assets</b>	<u>4,366,403</u>
<b>Net Assets:</b>	
Restricted for:	
Capital projects	863
Debt service	756,790
Set asides	871,429
Other purposes	187,945
Unrestricted	<u>2,549,376</u>
<b>Total net assets</b>	<u>\$ 4,366,403</u>

See accompanying notes to the basic financial statements.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

Statement of Activities - Cash Basis

Year Ended June 30, 2009

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$ 3,646,353	773,734	532,605	(2,340,014)
Special education	697,541	-	153,030	(544,511)
Vocational	37,430	-	-	(37,430)
Other instruction	23,486	-	-	(23,486)
Support services:				
Pupil	387,729	-	68,813	(318,916)
Instructional staff	640,425	-	504,753	(135,672)
Board of Education	106,878	-	-	(106,878)
Administration	869,710	-	34,551	(835,159)
Fiscal	287,819	-	-	(287,819)
Business	5,124	-	-	(5,124)
Operation and maintenance of plant	1,012,009	-	-	(1,012,009)
Pupil transportation	14,762	-	-	(14,762)
Central	135,839	-	2,070	(133,769)
Non-instructional services:				
Extracurricular activities	271,875	31,079	-	(240,796)
Community service	136,625	139,144	-	2,519
Food Service	198,918	54,175	138,814	(5,929)
Capital outlay	466,538	-	344,188	(122,350)
Principal retirement	370,000	-	-	(370,000)
Interest on long-term debt	75,835	-	-	(75,835)
	<u>\$ 9,384,896</u>	<u>998,132</u>	<u>1,778,824</u>	<u>(6,607,940)</u>
<b>General Receipts:</b>				
Property taxes, levied for general purposes				2,659,967
Property taxes, levied for debt services				319,217
Grants and entitlements not restricted to specific program				2,889,832
Investment earnings				64,202
Miscellaneous				35,160
Total general receipts				<u>5,968,378</u>
Change in net assets				(639,562)
Net assets beginning of year				<u>5,005,965</u>
Net assets end of year				<u>\$ 4,366,403</u>

See accompanying notes to the basic financial statements.



**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

Statement of Assets and Fund Balances - Cash Basis

Governmental Funds

June 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and investments	\$ 2,334,577	756,790	403,607	3,494,974
Restricted cash	871,429	-	-	871,429
<b>Total assets</b>	<u>3,206,006</u>	<u>756,790</u>	<u>403,607</u>	<u>4,366,403</u>
<b>Fund Balances:</b>				
Reserved for:				
Encumbrances	153,955	-	65,881	219,836
Textbooks	624,323	-	-	624,323
Capital improvements	247,106	-	-	247,106
Unreserved, reported in:				
Designated, reported in budget stabilization	120,509	-	-	120,509
Undesignated, reported in:				
General fund	2,060,113	-	-	2,060,113
Special revenue funds	-	-	336,863	336,863
Debt service fund	-	756,790	-	756,790
Capital project funds	-	-	863	863
<b>Total fund balances</b>	<u>3,206,006</u>	<u>756,790</u>	<u>403,607</u>	<u>4,366,403</u>
<b>Total liabilities and fund balances</b>	\$ <u>3,206,006</u>	<u>756,790</u>	<u>403,607</u>	<u>4,366,403</u>

See accompanying notes to the basic financial statements.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

Statement of Cash Receipts, Disbursements and Changes in Fund Balance - Cash Basis

Governmental Funds

Year Ended June 30, 2009

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property taxes	\$ 2,659,967	319,217	-	2,979,184
Tuition and fees	773,734	-	-	773,734
Interest	64,049	-	153	64,202
Charges for services	-	-	224,398	224,398
Intergovernmental	2,734,011	155,821	1,434,636	4,324,468
Miscellaneous	26,472	-	352,876	379,348
<b>Total receipts</b>	<u>6,258,233</u>	<u>475,038</u>	<u>2,012,063</u>	<u>8,745,334</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	3,155,917	-	490,436	3,646,353
Special education	560,315	-	137,226	697,541
Vocational	37,430	-	-	37,430
Other	23,486	-	-	23,486
Support services:				
Pupil	320,707	-	67,022	387,729
Instructional staff	178,385	-	462,040	640,425
Board of Education	106,878	-	-	106,878
Administration	840,065	-	29,645	869,710
Fiscal	281,637	6,182	-	287,819
Business	5,124	-	-	5,124
Operation and maintenance of plant	1,012,009	-	-	1,012,009
Pupil transportation	14,762	-	-	14,762
Central	121,916	-	13,923	135,839
Non-instructional services:				
Extracurricular activities	148,419	-	123,456	271,875
Community service	785	-	135,840	136,625
Food service	-	-	198,918	198,918
Capital outlay	-	-	466,538	466,538
Debt Service:				
Principal	-	370,000	-	370,000
Interest and fiscal charges	-	75,835	-	75,835
<b>Total disbursements</b>	<u>6,807,835</u>	<u>452,017</u>	<u>2,125,044</u>	<u>9,384,896</u>
Excess of receipts over (under) disbursements	<u>(549,602)</u>	<u>23,021</u>	<u>(112,981)</u>	<u>(639,562)</u>
<b>Other financing sources (uses):</b>				
Advances in	36,877	-	108,569	145,446
Advances out	(108,569)	-	(36,877)	(145,446)
Transfers in	42,985	210,150	348,427	601,562
Transfers out	(450,948)	-	(150,614)	(601,562)
<b>Total other financing sources (uses)</b>	<u>(479,655)</u>	<u>210,150</u>	<u>269,505</u>	<u>-</u>
Net change in fund balance	(1,029,257)	233,171	156,524	(639,562)
Fund balance, beginning of year	4,235,263	523,619	247,083	5,005,965
Fund balance, end of year	\$ <u>3,206,006</u>	<u>756,790</u>	<u>403,607</u>	<u>4,366,403</u>

See accompanying notes to the basic financial statements.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

Statement of Fiduciary Net Assets - Cash Basis

Fiduciary Funds

June 30, 2009

	<u>Agency Funds</u>
<b>ASSETS</b>	
Equity in pooled cash and investments	\$ <u>4,921</u>
Total assets	<u><u>4,921</u></u>
<b>NET ASSETS</b>	
Held for students	\$ <u>4,921</u>
Total net assets	<u><u>4,921</u></u>

See accompanying notes to the basic financial statements.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2009**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Lockland Local School District, Ohio (the "School District") have been prepared on a cash basis. The more significant of the School District's accounting policies are described below:

**A. The Reporting Entity**

The reporting entity is comprised of the primary government, which consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student related activities. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. There are no component units of the District.

The School District is associated with two organizations that are defined as jointly governed organizations. These organizations are described below.

**Great Oaks Institute of Technology and Career Development** - The vocational school is a separate body politic and corporate established by the Ohio Revised Code to provide vocational and special education needs of the students. The JVS accepts non-tuition students from the District as a member school; however, it is considered a separate political subdivision and is not considered to be part of the District. To obtain financial information, write to Great Oaks at 3254 E Kemper Rd. Cincinnati, OH 45241.

**Public Entity Risk Pool**

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

The plan's business and affairs are conducted by a three-member board of directors consisting of the president, the president-elect, and the immediate past president of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the plan. Each year, the participating school districts pay an enrollment fee to the plan to cover the costs of administering the program.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2009**

---

***B. Basis of Presentation***

The District uses the provisions of GASB 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements providing more detailed financial information.

***Government-Wide Financial Statements:*** The statement of net assets and statement of activities display information about the District as a whole, except for fiduciary funds. These statements report governmental activities.

The statement of net assets – cash basis presents the cash basis financial condition of the governmental activities of the District at fiscal year end. The statement of activities – cash basis compares cash disbursements with program cash receipts for each function of the District's governmental activities. Cash 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 District is responsible. Program cash receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program cash receipts, with certain limited exceptions. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each governmental function is self-financing on the cash basis or draws from the District's general cash receipts.

***Fund Financial Statements:*** During the 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 report more detailed information about the District. The focus of governmental fund financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate non-major funds in a single column. Fiduciary funds are reported by type.

***C. Fund Accounting***

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into two categories: governmental and fiduciary. Each category is divided into separate fund types.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2009**

---

**Governmental Funds**

Governmental funds are those through which most governmental functions of the District are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Cash disbursements are assigned to the fund from which they are paid. The difference between governmental fund assets and cash disbursements is reported as fund balance. The following are the District's major governmental funds:

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

**Debt Service Fund** - This fund is used to account for the accumulation of resources for the payment of general obligation bond principal and interest and certain other long-term obligations from governmental resources when the District is obligated in some manner for the payment.

The other non-major governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

**Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The District's only fiduciary funds are agency funds.

**Agency Funds** - These funds are used to account for assets held by the District as an agent for individuals, private organizations, other governmental units, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations, or have a measurement focus. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements. The District's agency funds are used to account for student managed activities.

**D. Basis of Accounting**

Although required by the Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the basis of accounting described above.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2009**

---

As a result of the use of the cash basis of accounting certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

***E. Budgets***

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2009 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Hamilton County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year as reported by the Treasurer.

The Certificate may be further amended during the year for projected increases or if the Treasurer identifies decreases in revenue. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2009.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2009**

---

5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations that reallocated, increased, or decreased the original appropriated amounts. The Board legally enacted several supplemental appropriations during fiscal year 2009.
9. Unencumbered appropriations lapse at year-end. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level. Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a cash basis, but are not included as part of cash disbursements, and are recorded as the equivalent of expenditures on a budgetary basis in order to demonstrate legal compliance. The required supplementary information found after the notes to the financial statements provides a reconciliation of the budgetary and cash basis of accounting.

**F. Equity in Pooled Cash and Investments**

Cash and investments consist of the total of the total of fund cash balances of all funds as of June 30, 2009. To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the balance sheet.

During fiscal 2009, investments were limited to certificates of deposit and the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2009.

The Board of Education allocates investment earnings to various funds in accordance with Ohio statute. Interest receipts for the fiscal year 2009 amounted to \$64,049 in the General Fund and \$153 in other governmental funds.

An analysis of the Treasurer's investment account at year-end is provided in Note 2.



**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2009**

---

Restricted cash is reported for the amounts the District is required to set-aside for textbooks and capital improvements.

**G. Inventory**

On the cash basis of accounting, inventories of supplies and food service items are reported as disbursements when purchased and are not recorded as assets in the basic financial statements.

**H. Capital Assets and Depreciation**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The basic financial statements do not report these assets or the related depreciation.

**I. Compensated Absences**

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

**J. Long-Term Debt**

These cash basis financial statements do not report liabilities for bonds and other long-term obligations. These statements report proceeds of debt when cash is received and debt service disbursements for debt principal payments. Additional information regarding debt can be found in Note 5.

**K. Fund Balances**

The District reserves those portions of fund balances legally segregated for a specific future use or which are not available for appropriation or disbursement. The District has reserved fund balances for encumbrances, capital acquisitions and textbooks.

**L. Net Assets**

Net assets represent the difference between assets and liabilities. On the cash basis of accounting, net assets equal assets since liabilities are not recorded. The statements report restricted net assets when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on their use. Restricted for Other Purposes is comprised of net assets restricted for grants and scholarships. The District first applies restricted resources when incurring a disbursement for which it may use either restricted or unrestricted resources.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2009**

---

***M. Interfund Transactions***

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report transfers as other financing sources/uses. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

The statements report interfund loans as advances when paid or repaid. Note 3 list both operating transfers and advances made during fiscal year 2009. Both inter-fund transfers and advances are eliminated in the statement of activities.

**NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS**

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

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

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

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

Interim monies may be invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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;

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2009**

---

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

Investments, in stripped principal or interest obligation, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2009**

---

At fiscal year end, the carrying amount of the District's deposits was \$3,918,301 and the bank balance was \$4,111,032. Of the bank balance, \$500,000 was covered by federal depository insurance. The remaining balance was subject to custodial credit risk as it was covered by a 105% public depository pool, which was collateralized with securities held by the pledging financial institution trust department but not in the District's name. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**Investments**

At June 30, 2009, the District's investment balance was as follows:

<u>Description</u>	<u>Credit Rating</u>	<u>Category</u>	<u>Maturity</u>	<u>Investment Concentration</u>	<u>Fair Value</u>
STAROhio	AAAm	Unclassified	N/A	100%	\$453,023

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Standard and Poor's rated the District's STAROhio investment as AAAm. The Board has no policy on credit risk.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District's investment in the State Treasurer's pool (STAR Ohio) is not categorized because it is not evidenced by securities that exist in physical or book entry form. Investments in STAR Ohio are backed by the securities purchased by STAR Ohio. Historically, over 90% of investments purchased by STAR Ohio are United States Government obligations and securities purchased and held in a third party custodial arrangement on behalf of STAR Ohio. The District's investment policy does not address custodial credit risk.

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Education's formal investment policy states that "Investments held by the Treasurer must mature within five (5) years, unless they are matched to a specific obligation or debt of the District." This policy is intended to mitigate interest rate risk. STAR Ohio maturity dates are varied and short and are not subject to interest rate risk.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2009**

---

**NOTE 3 - INTERFUND TRANSACTIONS**

The following is a reconciliation of the District's transfers for fiscal year 2009:

Fund	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 42,985	\$ 450,948
Debt Service Fund	210,150	-
Other Governmental Funds:		
<b>Non-major special revenue funds:</b>		
Food Service	50,000	-
School Support	53,341	53,341
Local Grant	14,644	29,288
Latchkey	28,341	28,341
Athletic Fund	77,074	-
Poverty Based Assistance	70,739	-
<b>Non-major capital projects fund:</b>		
NFL Grant Turf Field Construction	54,288	39,644
Total Other Governmental Funds	<u>348,427</u>	<u>150,614</u>
Total	<u>\$ 601,562</u>	<u>\$ 601,562</u>

The transfers from the General Fund are to various non-major special revenue funds to subsidize those funds and to the debt service fund for a repayment of amounts erroneously posted.

The Public School Support special revenue fund transferred monies back to the Latchkey special revenue fund. This transfer was made in error and was returned. Monies were also transferred to the NFL Grant Turf Field Construction fund.

The Local Grant Fund collected local donations and transferred these monies to the NFL Grant Turf Field Construction Fund.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2009**

---

The following is a reconciliation of the District's advances for fiscal year 2009:

Fund	Advances In	Advances Out
General Fund	\$ 36,877	\$ 113,004
Other Governmental Funds		
<b>Non-Major Special Revenue Funds:</b>		
Network Subsidy	4,435	-
Alternative Education	-	3,268
Title VI-B	-	8,183
Title I	-	5,770
Title V	-	837
Preeschool	-	2,205
Title II-A	-	2,349
Miscellaneous Federal Grants	-	14,265
Non-Major Capital Projects Fund:		
NFL Grant Turf Field Construction	108,569	-
Total Other Governmental Funds	113,004	36,877
Total	\$ 149,881	\$ 149,881

The General Fund provides advances to the various non-major Special Revenue Funds as cash is required and these funds repay such advances as cash is available.

An advance was made to the NFL Grant Turf Field Construction Fund from the General Fund for the purpose of constructing a new turf football field. The money will be paid back to the General Fund with donations received in the Construction Fund.

**NOTE 4 - PROPERTY TAXES**

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

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

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2009**

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35 percent of market value and personal property is assessed at 100 percent of market value, except for the personal property of rural electric companies, which is assessed at 50 percent of market value, and railroads, which are assessed at 29 percent. Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25 percent of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue that would otherwise have been collected.

The assessed values upon which fiscal year 2009 taxes were collected are as follows:

	2008 Second-Half Collections		2009 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 32,182,059	45.29%	\$ 69,439,000	85.68%
Public Utility Personal	6,295,770	8.86%	4,773,000	5.89%
Tangible Personal Property	32,585,540	45.85%	6,829,000	8.43%
<b>Totals</b>	<b>\$ 71,063,369</b>	<b>100.00%</b>	<b>\$ 81,041,000</b>	<b>100.00%</b>
Tax Rate per \$1,000				
Operations	\$34.66		\$34.66	
Debt Service	5.30		5.30	

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20. The Hamilton County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax advances are based on statutory cash flow collection rates. Final settlements are made each February and August.

**NOTE 5 - LONG-TERM DEBT**

**A. Debt Service Requirements**

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2009 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 350,000	\$ 325,239	\$ 675,239
2011	330,000	322,567	652,567
2012	300,000	68,110	368,110
2013	300,000	52,510	352,510
2014	300,000	36,685	336,685
2015-2016	530,000	41,270	571,270
<b>Total</b>	<b>\$ 2,110,000</b>	<b>\$ 846,381</b>	<b>\$ 2,956,381</b>

The above amortization schedule includes \$80,560 of accretion on capital appreciation bonds that has not been recognized as of June 30, 2009.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2009**

---

**B. Changes in Long Term Debt**

During the year ended June 30, 2009, the following were the changes in long-term obligations.

	Balance 6/30/2008	Additions	Deletions	Balance 6/30/2009	Due Within One Year
<i>General Obligation Bonds:</i>					
Series 2000, Current Interest Refunding Bonds 5.537%, 12/01/15 Maturity	\$ 1,430,000	\$ -	\$ -	\$ 1,430,000	\$ -
Series 2000, Capital Appreciation Refunding Bonds 13.09% (average effective), 12/01/09, and 12/01/10 Maturity	873,000	96,440	370,000	599,440	350,000
Total General Obligation Bonds	<u>\$ 2,303,000</u>	<u>\$ 96,440</u>	<u>\$ 370,000</u>	<u>\$ 2,029,440</u>	<u>\$ 350,000</u>

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of a school district should 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 District's voted legal debt margin was \$5,264,250 with an unvoted debt margin of \$81,041 at June 30, 2009.

**NOTE 6 - RISK MANAGEMENT**

The District does not have a "self-insurance" fund with formalized risk management programs. The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters. During fiscal year 2009, the District purchased from Indiana Insurance Company (through the Ohio School Boards Association) general liability insurance, which carried a \$1 million per occurrence/\$3 million annual aggregate limitation. Fleet and property/casualty insurance are purchased through commercial carriers and traditionally funded, as are all benefit plans offered to employees.

Settled claims have not exceeded these coverage's in any of the past three fiscal years. There has been no significant change in coverage from last year.

**OSBA Worker's Compensation Group Rating**

For fiscal year 2009, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (See Note 1.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.



**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2009**

---

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. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS**

***A. School Employees Retirement System***

The District contributes to the School Employees System of Ohio (SERS), a cost-sharing multiple employer defined pension system. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute 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 may be obtained by writing to the School Employees Retirement System, 300 East Board Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614)222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. 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 the fiscal year ending June 30, 2009, the allocation to pension and death benefits is 9.09%. The remaining 4.91% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's required contributions to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 were \$172,839, \$161,220, and \$144,684 respectively; all of which has been contributed for all three years.

***B. State Teachers Retirement System***

The District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2009**

---

**Plan Options** - New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, 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% of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. 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 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 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 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. 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.

**DC Plan Benefits** – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% 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 member’s designated beneficiary is entitled to receive the member’s 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% 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 a member 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.

Eligible faculty of Ohio’s public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their date of employment to select a retirement plan.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2009**

---

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 the 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% 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 and 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 to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and contributions actually made for the fiscal year ended June 30, 2009, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS Ohio for the years ended June 30, 2009, 2008, and 2007 were \$493,000, \$504,540, and \$520,404, respectively; all of which has been contributed for all three years.

**SOCIAL SECURITY SYSTEM**

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS Ohio have an option to choose Social Security or SERS. The District's liability is 6.2% of wages paid.

**NOTE 8 - POSTEMPLOYMENT BENEFITS**

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

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2009**

---

STRS Ohio administers a pension plan that is comprised of a defined benefit plan; a self-directed defined contribution plan and a combined plan which is a hybrid of the defined benefit and 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. Pursuant to 3307 of the Ohio 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 benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for years ended June 30, 2009, 2008, and 2007. The 14% employer contribution rate is the maximum rate established under Ohio law. The School District's contributions to STRS Ohio allocated to post-employment health care for the years ended June 30, 2009, 2008 and 2007 were \$35,000, \$39,000, and \$40,000, respectively.

SERS administers two postemployment benefit plans:

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 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 premium for calendar year 2009 was \$96.40; 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 2009, the actuarially required allocation was .75%. The School District's required contribution for the year ended June 30, 2009, 2008, and 2007 were \$9,000, \$7,600, and \$6,800, respectively, which equaled the required contributions each year.

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 plans from various vendors, including HMO's, PPO's, 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.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2009**

---

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% contribution to the Health Care Fund. At June 30, 2009, the health care allocation was 4.16%. 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District contributions for the years ended June 30, 2009, 2008, and 2007 were \$51,000, \$48,000, and \$43,000, respectively.

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.

**NOTE 9 - CONTINGENCIES**

*A. Grants*

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on the basic financial statements of the District at June 30, 2009.

*B. Litigation*

The School District is party to legal proceedings. The School District is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

**NOTE 10 – REQUIRED SET-ASIDES**

The District is required by State statute to annually set aside in the general fund an amount based on the statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2009**

---

The following cash basis information describes the change in the year-end set aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

		<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance as of June 30, 2008	\$	642,358	195,597
Current year set-aside requirement		106,055	106,055
Less qualifying disbursements		<u>(124,090)</u>	<u>(54,546)</u>
Total		<u>624,323</u>	<u>247,106</u>
Balance carried to FY2010		<u>624,323</u>	<u>247,106</u>
Total reserved fund balance	\$	<u>624,323</u>	<u>247,106</u>

**NOTE 11 – COMPLIANCE**

Contrary to the Ohio Revised Code § 177.38 and Ohio Administrative Code §117-03(B), the District does not prepare its financial statements in accordance with accounting principles generally accepted in the United States of America.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

Required Supplemental Information  
 Schedule of Receipts, Disbursements and Changes in Fund  
 Balance - Budget and Actual (Budgetary Basis)  
 General Fund  
 Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Receipts</b>				
Property taxes	\$ 2,617,812	2,659,967	2,659,967	-
Tuition and fees	987,035	773,734	773,734	-
Interest	100,000	64,049	64,049	-
Intergovernmental	2,768,410	2,689,989	2,734,011	44,022
Miscellaneous	50,000	26,472	26,472	-
<b>Total receipts</b>	<u>6,523,257</u>	<u>6,214,211</u>	<u>6,258,233</u>	<u>44,022</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	3,404,744	3,482,191	3,248,454	233,737
Special education	455,839	609,795	571,250	38,545
Vocational	61,280	71,060	37,640	33,420
Other instruction	16,500	30,275	23,486	6,789
Support services:				
Pupil	376,379	393,990	320,760	73,230
Instructional staff	467,653	478,164	181,825	296,339
Board of Education	74,917	111,347	109,778	1,569
Administration	894,928	954,697	842,726	111,971
Fiscal	366,674	368,341	281,637	86,704
Business	4,600	5,600	5,124	476
Operation and maintenance of plant	1,153,362	1,335,045	1,053,228	281,817
Pupil transportation	64,690	65,932	14,762	51,170
Central	107,150	129,985	121,916	8,069
Non-instructional services:				
Extracurricular activities	150,719	157,792	148,419	9,373
Community services	-	2,888	785	2,103
<b>Total disbursements</b>	<u>7,599,435</u>	<u>8,197,102</u>	<u>6,961,790</u>	<u>1,235,312</u>
Excess of receipts over (under) disbursements	(1,076,178)	(1,982,891)	(703,557)	1,279,334
<b>Other financing sources (uses):</b>				
Advances in	100,000	35,704	36,877	1,173
Advances out	(5,000)	(200,000)	(108,569)	91,431
Transfers in	-	-	42,985	42,985
Transfers out	-	(493,801)	(450,948)	42,853
<b>Total other financing sources (uses)</b>	<u>95,000</u>	<u>(658,097)</u>	<u>(479,655)</u>	<u>178,442</u>
Net change in fund balance	(981,178)	(2,640,988)	(1,183,212)	1,457,776
Fund balance, beginning of year	4,207,329	4,207,329	4,207,329	
Prior year encumbrances appropriated	27,934	27,934	27,934	
Fund balance, end of year	\$ <u>3,254,085</u>	<u>1,594,275</u>	<u>3,052,051</u>	

See accompanying notes to required supplemental information.

# LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Notes to the Required Supplementary Information

Year Ended June 30, 2009

## Note A Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances on the cash basis of accounting, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Schedule of Receipts, Disbursements and Changes in Fund Balances - Budget and Actual (Budgetary Basis) is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and cash basis are that:

Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types.

The following tables summarize the adjustments necessary to reconcile the cash basis statements and the budgetary basis schedule:

	<u>General</u>
Net change in fund balance - Cash Basis	\$ (1,029,257)
Increase / (decrease):	
Due to encumbrances	<u>(153,955)</u>
Net change in fund balance - Budget Basis	\$ <u>(1,183,212)</u>



**Lockland Local School District**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2009**

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Receipts</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture:</b>				
<i>(Passed through Ohio Department of Education)</i>				
Nutrition Cluster:				
<i>Non-Cash Assistance (Food Distribution)</i>				
National School Lunch Program	N/A	10.555	\$ 12,076	12,076
<i>Cash Assistance</i>				
National School Lunch Program	LLP4	10.555	<u>133,721</u>	<u>133,721</u>
Nutrition Cluster Total			<u>145,797</u>	<u>145,797</u>
Total U.S. Department of Agriculture			<u>145,797</u>	<u>145,797</u>
<b>U.S. Department of Education:</b>				
<i>(Passed through Ohio Department of Education)</i>				
Title I Grants to Local Educational Agencies	C1S1 - 2008	84.010	31,617	25,847
Title I Grants to Local Educational Agencies	C1S1 - 2009	84.010	<u>302,762</u>	<u>251,251</u>
			<u>334,379</u>	<u>277,098</u>
School Improvement Grants	C1SK-2009	84.377	51,265	38,670
Special Education Cluster:				
Special Education - Grants to States	6BSF - 2008	84.027	43,294	43,294
Special Education - Grants to States	6BSF - 2009	84.027	103,676	97,896
Special Education - Preschool Grants	PGS1 - 2008	84.173	2,205	-
Special Education - Preschool Grants	PGS1 - 2009	84.173	<u>2,401</u>	<u>2,401</u>
Special Education Cluster Total			<u>151,576</u>	<u>143,591</u>
Safe and Drug-Free Schools and Communities - State Grants	DRS1 - 2009	84.186	3,726	3,682
State Grants for Innovative Programs	C2S1 - 2008	84.298	837	-
State Grants for Innovative Programs	C2S1 - 2009	84.298	<u>1,331</u>	<u>1,331</u>
			<u>2,168</u>	<u>1,331</u>
Education Technology State Grants	TJS1 - 2008	84.318	271	-
Education Technology State Grants	TJS1 - 2009	84.318	<u>1,650</u>	<u>-</u>
			<u>1,921</u>	<u>-</u>
Reading First State Grants	RSS1 - 2008	84.357	80,376	67,760
Reading First State Grants	RSS1 - 2009	84.357	<u>153,202</u>	<u>136,312</u>
			<u>233,578</u>	<u>204,072</u>
Improving Teacher Quality State Grants	TRS1 - 2008	84.367	8,570	6,221
Improving Teacher Quality State Grants	TRS1 - 2009	84.367	<u>40,906</u>	<u>39,883</u>
			<u>49,476</u>	<u>46,104</u>
<i>(Passed Through Hamilton County Educational Service Center)</i>				
English Language Acquisition Grants	2008	84.365	338	-
English Language Acquisition Grants	2009	84.365	<u>4,331</u>	<u>3,380</u>
			<u>4,669</u>	<u>3,380</u>
<i>(Passed Through Great Oaks Institute of Technology and Career Development)</i>				
Vocational Education - Basic Grants to States	2008	84.048	-	482
Vocational Education - Basic Grants to States	2009	84.048	<u>1,901</u>	<u>977</u>
			<u>1,901</u>	<u>1,459</u>
Total U.S. Department of Education			<u>834,659</u>	<u>719,387</u>
<b>U.S. Department of Homeland Security:</b>				
<i>(Passed Through Ohio Department of Public Safety)</i>				
Disaster Grants - Public Assistance	2009	97.036	<u>3,750</u>	<u>3,750</u>
Total Federal Financial Assistance			<u>\$ 984,206</u>	<u>868,934</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The schedule of expenditures of federal awards is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

**NOTE C - NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**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***

To the Board of Education  
Lockland Local School District:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lockland Local School District (the School District) as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 27, 2010, wherein we noted that the School District has prepared its financial statements using a cash basis of accounting rather than in accordance with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency labeled as 2009-1 in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School District's internal control.

160 north breiel blvd.  
middletown, oh 45042

www.cshco.com  
37 p. 513.424.5000  
f. 513.422.7882

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

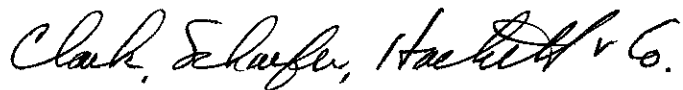
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance 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 2009-2.

We noted certain matters that we reported to management of the School District, in a separate letter dated April 27, 2010.

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

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



Middletown, Ohio  
April 27, 2010



## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education  
Lockland Local School District:

### **Compliance**

We have audited the compliance of Lockland Local School District (the School District) with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School District's compliance with those requirements.

In our opinion, Lockland Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2009-3 and 2009-5.

### **Internal Control over Compliance**

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the School District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

160 north breiel blvd.  
middletown, oh 45042

A *control deficiency* in entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-1, 2009-4, and 2009-5 to be a significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider the significant deficiencies in internal control over compliance described above to be a material weakness.

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

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

*Clark, Schaefer, Hackett & Co.*

Middletown, Ohio  
April 27, 2010

LOCKLAND LOCAL SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2009

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of report issued on financial statements:	unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	yes
Significant deficiency(ies) identified not considered to be material weakness(es)?	none
Noncompliance material to financial statements noted?	yes

**Federal Awards**

Internal Control over major programs:	
Material weakness(es) identified?	yes
Significant deficiency(ies) identified not considered to be material weakness(es)?	none

Type of auditors' report issued on compliance for major programs:	unqualified
----------------------------------------------------------------------	-------------

Any audit findings that are required to be reported in accordance with Circular A-133, Section .510(a)?	yes
------------------------------------------------------------------------------------------------------------	-----

Identification of major programs:

*Title I (CFDA 84.010)*  
*Reading First State Grants (CFDA 84.357)*

Dollar threshold to distinguish between Type A and Type B Programs:	\$300,000
------------------------------------------------------------------------	-----------

Auditee qualified as low-risk auditee?	no
----------------------------------------	----

## Section II - Financial Statement Findings

### **Finding 2009-1 - Controls over Accounting and Reporting**

The School District has experienced a number of challenges during fiscal years 2004, 2005, 2006, 2007, 2008 and 2009 with some major accounting and reporting issues as evidenced by the number of findings documented in this schedule and a separately issued management letter. Financial information is vital to an organization's management in its continual effort to effectively make decisions to guide the organization. The previously mentioned findings indicate a general lack of controls over the financial accounting processes and record keeping within the district which need to be addressed promptly.

The School District needs to take the following steps to assist in addressing these issues:

- Designate the finance or audit committee of the Board as having primary responsibility to ensure that all of the findings are properly addressed.
- Organize and hold monthly meetings to discuss and develop an action plan to address all the audit findings, monitor progress on the action plan, and review specific action taken for each of the findings.
- Have the Treasurer, in conjunction with the finance or audit committee, develop a monthly, quarterly and annual check sheet to document key actions performed which are an integral part of the financial accounting and reporting process. The check sheet(s) should include such items as monthly bank reconciliations, monthly financial reports, submission of various tax remittances for federal, state and local governments, filing of appropriate forms for federal, state and local governments, reconciliation of tax remittances with the appropriate tax forms, federal and state grant accounting and reporting, and any other key items. The check sheet(s) should be prepared and/or approved by the Treasurer and/or his designee.
- The finance or audit committee should review and approve the check sheet(s) at their monthly meetings.

**Management Response:** The district finance committee meets periodically during the school year to discuss issues of finance, audit, controls and items of a general interest to the committee. Check lists integral to the district's operations will be developed and presented to the finance committee for approval.

### **Finding 2009-2 – GAAP-Basis Financial Reports**

Ohio Administrative Code Section 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements in accordance with the cash basis of accounting. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

**Management Response:** It is not cost effective for the district to prepare GAAP statements at this time due to tight budget considerations and lack of staffing. The district will review the GAAP reporting requirements for FY2010 as it looks to possible indebtedness to fund campus renovations or replacement.

## Section III - Federal Award Findings and Questioned Costs

### **Finding 2009-1 - Controls over Accounting and Reporting**

A repeat of the finding above under Section II – Financial Statement Findings.

### **Finding 2009-3 - Data Collection Form Late Submission**

The Federal Audit Clearinghouse requires that the audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. During the current year audit, it was noted that the data collection form for fiscal years ended June 30, 2008 and 2009 were not submitted until after the required due date and the School District did not obtain an extension of time to file from the cognizant or oversight agency.

**Management Response:** This will continue to be an issue with the school district until the audits are caught up.

### **Finding 2009-4 – Schedule of Expenditures of Federal Awards**

In accordance with the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, management is responsible for identifying all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity. The School District's schedule of expenditure of federal awards was not complete as program expenditures were not accurate for some of the programs and omitted a few programs. The expenditures were corrected and the omitted programs were added. In addition to our opinions on the School District's financial statements, we are also required to express an "in relation to" opinion on the schedule of expenditures of federal awards. We were only able to express an unqualified opinion after correcting the School District's schedule of expenditures of federal awards. We recommend the School District review fiscal year activity to ensure that all federal programs have been accounted for accurately and completely on the schedule.

**Management Response:** The school District will review all Federal grants, new and existing, for CFDA Title and Number to ensure that all Federal Grants are included on the Federal Schedule.

## DEPARTMENT OF EDUCATION

### **Finding 2009-5 – Reading First - CFDA No. 84.357 and Title I CFDA No. 84.010**

**Condition:** We performed tests to determine if the School District was properly preparing semi-annual certifications for employees that work solely on a specific federal programs to support salaries and wages. We noted these certifications were prepared on an annual basis by the School District rather than semi-annually.

**Criteria:** OMB Circular A-87, Attachment B states that where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages are to be supported by periodic certifications that the employee worked solely on that program for the period covered by the certification. These certifications are to be prepared at least semi-annually and will be signed by the employee and supervisor or just the supervisor, if they have firsthand knowledge of the information contained in the certification.



*Effect:* Lack of proper documentation could result in disallowed costs for the School District's federal programs.

*Cause:* The School District lacked procedures to ensure the proper completion of certifications on a semi-annual basis.

*Recommendation:* We recommend the School District implement procedures to ensure these semi-annual certificates are prepared timely to comply with federal regulations.

***Managements Response:*** The district has put into place a mechanism for securing the semi-annual certification required for employees whose compensation is allocate to a single cost objective. This has been obtained for the first semester of the FY2009-2010 school year

Lockland Local School District  
 Schedule of Prior Audit Findings  
 Year Ended June 30, 2009

Finding Number	Finding Summary	Fully Corrected?	Current Status
2008-1	The School District has experienced a number of challenges during fiscal years 2004, 2005, 2006, 2007 and 2008 with some major accounting and reporting issues as evidenced by the number of findings documented in this schedule. Financial information is vital to an organization's management in its continual effort to effectively make decisions to guide the organization. The previously mentioned findings indicate a general lack of controls over the financial accounting process which need to be addressed promptly.	No	Repeated as current year finding 2009-1
2008-2	Ohio Administrative Code Section 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements in accordance with the cash basis of accounting. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.	No	Repeated as current year finding 2009-2
2008-3	Per Ohio Revised Code Section 5705.41(B), no subdivision is to expend money unless it has been appropriated. The School District had several instances in which expenditures and encumbrances in various funds that exceeded their appropriations.	Yes	

<p><b>2008-4</b></p>	<p>Ohio Revised Code Section 5705.36 stipulates that total appropriations made during the fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation. During our testing of compliance with budgetary requirements, we noted several funds which had appropriations in excess of estimated resources as of January 31, 2008. We recommend the School District request increased amended certificates from the County Budget Commission, as needed, whenever the appropriation or supplemental appropriation exceeds the current certificate of estimated resources.</p>	<p>Yes</p>	
<p><b>2008-5</b></p>	<p>The Federal Audit Clearinghouse requires that the audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. During the current year audit, it was noted that the data collection form for fiscal year ended June 30, 2007 was not submitted until February 10, 2009, which is after the required due date and the School District did not obtain an extension of time to file from the cognizant or oversight agency.</p>	<p>No</p>	<p>Repeated as current year finding 2009-3.</p>

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

To the Board of Education  
Lockland Local School District:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on October 25, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
  - (6) A procedure for documenting any prohibited incident that is reported;
  - (7) A procedure for responding to and investigating any reported incident;
  - (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
  - (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;

160 north breiel blvd.  
middletown, oh 45042

- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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

*Clark, Schaefer, Hackett & Co.*

Middletown, Ohio  
April 27, 2010



**At Clark Schaefer Hackett**, we are the sum of our individuals. Each team member's training and experience are well-suited for each client's purpose and goals. We are committed to providing insightful and customized service — from efficient compliance to sophisticated consulting — to help each client prosper today and plan for future success.

cincinnati | columbus | dayton | middletown | springfield

[www.cshco.com](http://www.cshco.com)



**Mary Taylor, CPA**  
Auditor of State

**LOCKLAND LOCAL SCHOOL DISTRICT**

**HAMILTON 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  
JUNE 3, 2010**