



Dave Yost • Auditor of State



**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY  
JUNE 30, 2016**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Lakota Local School District  
Sandusky County  
5200 County Road 13  
Kansas, Ohio 44841-9617

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lakota Local School District, Sandusky County, Ohio (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lakota Local School District, Sandusky County, Ohio, as of June 30, 2016, and the respective changes in cash financial position and where applicable, cash flows and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Emphasis of Matter***

As discussed in Note 3 to the financial statements, during 2016, the District restated their beginning fund balances and net position to properly include cash held by a fiscal agent and to reclassify a fund to more appropriately reflect the purpose of the fund. We did not modify our opinion regarding this matter.

***Other Matters***

***Supplementary Information***

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards also presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 21, 2017

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Lakota Local School District  
Statement of Net Position - Cash Basis  
June 30, 2016

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$5,817,987
Cash and Cash Equivalents with Fiscal Agent	908,593
Total Assets	\$6,726,580
 <u>Net Position:</u>	
Restricted for:	
Capital Projects	\$380,296
Debt Service	1,033,565
Other Purposes	489,122
Unrestricted	4,823,597
Total Net Position	\$6,726,580

See Accompanying Notes to Basic Financial Statements

Lakota Local School District  
Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2016

	Program Cash Receipts			Net (Disbursement) Receipt and Change in Net Position
	Cash Disbursements	Charges for Services	Operating Grants, Contributions, and Interest	Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$5,051,235	\$842,053	\$47,724	(\$4,161,458)
Special	1,668,921	68,424	1,129,871	(470,626)
Vocational	32,078	0	4,856	(27,222)
Support Services:				
Pupils	1,034,574	0	0	(1,034,574)
Instructional Staff	232,448	0	0	(232,448)
Board of Education	10,459	0	0	(10,459)
Administration	999,275	0	0	(999,275)
Fiscal	301,653	0	0	(301,653)
Business	268,059	0	0	(268,059)
Operation and Maintenance of Plant	1,257,388	0	0	(1,257,388)
Pupil Transportation	761,299	0	1,815	(759,484)
Central	9,864	0	0	(9,864)
Non-Instructional Services	483,515	207,499	299,347	23,331
Extracurricular Activities	449,342	85,480	65	(363,797)
Capital Outlay	738,113	0	0	(738,113)
Debt Service:				
Principal Retirement	415,787	0	0	(415,787)
Interest and Fiscal Charges	753,551	0	0	(753,551)
Interest on Capital Appreciation Bonds	219,213	0	0	(219,213)
Payment to Refunded Bond Escrow Agent	9,695,877	0	0	(9,695,877)
Total Governmental Activities	<u>\$24,382,651</u>	<u>\$1,203,456</u>	<u>\$1,483,678</u>	<u>(21,695,517)</u>
<u>General Receipts:</u>				
Property Taxes Levied for:				
General Purposes				3,510,412
Debt Service				1,046,540
Income Taxes Levied for General Purposes				2,154,588
Grants and Entitlements not Restricted to Specific Programs				5,626,536
Interest				22,196
Gifts and Donations				50
Miscellaneous				79,681
General Obligation Bonds Issued				8,675,000
Premium on Bonds Issued				1,195,277
Total General Receipts				<u>22,310,280</u>
Change in Net Position				614,763
Net Position at Beginning of Year - Restated (Note 3)				<u>6,111,817</u>
Net Position at End of Year				<u>\$6,726,580</u>

See Accompanying Notes to Basic Financial Statements

Lakota Local School District  
Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
June 30, 2016

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$3,949,404	\$1,033,565	\$824,167	\$5,807,136
Cash and Cash Equivalents with Fiscal Agent	863,342	0	45,251	908,593
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$4,812,746</u>	<u>\$1,033,565</u>	<u>\$869,418</u>	<u>\$6,715,729</u>
<u>Fund Balances:</u>				
Restricted	\$0	\$1,033,565	\$869,418	\$1,902,983
Assigned	104,788	0	0	104,788
Unassigned	4,707,958	0	0	4,707,958
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Fund Balances	<u>\$4,812,746</u>	<u>\$1,033,565</u>	<u>\$869,418</u>	<u>\$6,715,729</u>

See Accompanying Notes to Basic Financial Statements

Lakota Local School District  
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2016

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Receipts:</u>				
Property Taxes	\$3,510,412	\$1,046,540	\$0	\$4,556,952
Income Taxes	2,154,588	0	0	2,154,588
Intergovernmental	5,854,592	143,612	1,111,743	7,109,947
Interest	22,196	0	267	22,463
Tuition and Fees	907,679	0	0	907,679
Extracurricular Activities	0	0	85,480	85,480
Charges for Services	2,798	0	207,499	210,297
Gifts and Donations	50	0	0	50
Miscellaneous	79,681	0	0	79,681
<b>Total Receipts</b>	<b>12,531,996</b>	<b>1,190,152</b>	<b>1,404,989</b>	<b>15,127,137</b>
<u>Disbursements:</u>				
Current:				
Instruction:				
Regular	5,006,769	0	49,130	5,055,899
Special	1,125,489	0	544,517	1,670,006
Vocational	32,078	0	0	32,078
Support Services:				
Pupils	856,040	0	180,053	1,036,093
Instructional Staff	225,732	0	6,933	232,665
Board of Education	10,459	0	0	10,459
Administration	957,746	0	42,506	1,000,252
Fiscal	301,979	0	0	301,979
Business	246,528	21,531	0	268,059
Operation and Maintenance of Plant	1,187,725	0	70,423	1,258,148
Pupil Transportation	749,772	0	11,961	761,733
Central	969	0	8,895	9,864
Non-Instructional Services	355	0	483,920	484,275
Extracurricular Activities	369,801	0	79,650	449,451
Capital Outlay	0	0	738,113	738,113
Debt Service:				
Principal Retirement	0	415,787	0	415,787
Interest and Fiscal Charges	0	753,551	0	753,551
Interest on Capital Appreciation Bonds	0	219,213	0	219,213
<b>Total Disbursements</b>	<b>11,071,442</b>	<b>1,410,082</b>	<b>2,216,101</b>	<b>14,697,625</b>
Excess of Receipts Over (Under) Disbursements	1,460,554	(219,930)	(811,112)	429,512
<u>Other Financing Sources (Uses)</u>				
General Obligation Bonds Issued	0	8,675,000	0	8,675,000
Premium on Bonds Issued	0	1,195,277	0	1,195,277
Payment to Refunded Bond Escrow Agent	0	(9,695,877)	0	(9,695,877)
Transfers In	0	510,000	436,755	946,755
Transfers Out	(571,330)	0	(375,425)	(946,755)
<b>Total Other Financing Sources (Uses)</b>	<b>(571,330)</b>	<b>684,400</b>	<b>61,330</b>	<b>174,400</b>
Changes in Fund Balances	889,224	464,470	(749,782)	603,912
Fund Balances at Beginning of Year - Restated (Note 3)	3,923,522	569,095	1,619,200	6,111,817
Fund Balances at End of Year	\$4,812,746	\$1,033,565	\$869,418	\$6,715,729

See Accompanying Notes to Basic Financial Statements

Lakota Local School District  
Statement of Receipts, Disbursements, and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		
<u>Receipts:</u>				
Property Taxes	\$3,092,334	\$3,092,334	\$3,510,412	\$418,078
Income Taxes	2,279,274	2,279,274	2,154,588	(124,686)
Intergovernmental	5,879,650	5,879,650	5,854,592	(25,058)
Interest	4,374	4,374	18,613	14,239
Tuition and Fees	779,821	779,821	907,679	127,858
Charges for Services	2,798	2,798	2,798	0
Gifts and Donations	50	50	50	0
Miscellaneous	111,460	117,960	74,619	(43,341)
<b>Total Receipts</b>	<b>12,149,761</b>	<b>12,156,261</b>	<b>12,523,351</b>	<b>367,090</b>
<u>Disbursements:</u>				
Current:				
Instruction:				
Regular	5,261,124	5,266,349	5,126,667	139,682
Special	1,075,422	1,075,342	1,150,726	(75,384)
Vocational	9,155	9,155	32,078	(22,923)
Support Services:				
Pupils	1,001,361	1,005,061	899,580	105,481
Instructional Staff	218,650	222,219	237,553	(15,334)
Board of Education	49,825	37,226	13,507	23,719
Administration	980,436	985,122	964,588	20,534
Fiscal	317,610	317,610	309,571	8,039
Business	235,028	230,515	262,166	(31,651)
Operation and Maintenance of Plant	1,180,966	1,180,978	1,231,045	(50,067)
Pupil Transportation	820,108	820,108	764,229	55,879
Central	4,733	4,733	969	3,764
Non-Instructional Services	1,224	1,224	355	869
Extracurricular Activities	325,770	325,770	372,332	(46,562)
Public School Support				
Administration	34,228	34,228	26,324	7,904
Technology				
Operation and Maintenance of Plant	43,824	41,824	25,141	16,683
<b>Total Disbursements</b>	<b>11,559,464</b>	<b>11,557,464</b>	<b>11,416,831</b>	<b>140,633</b>
<b>Excess of Receipts Over Disbursements</b>	<b>590,297</b>	<b>598,797</b>	<b>1,106,520</b>	<b>507,723</b>

(continued)

Lakota Local School District  
Statement of Receipts, Disbursements, and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2016  
(continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	\$4,025	\$4,025	\$5,062	\$1,037
Advances Out	(27,258)	(27,258)	0	27,258
Transfers Out	(635,698)	(635,698)	(571,330)	64,368
Total Other Financing Sources (Uses)	<u>(658,931)</u>	<u>(658,931)</u>	<u>(566,268)</u>	92,663
Changes in Fund Balance	(68,634)	(60,134)	540,252	600,386
Fund Balance at Beginning of Year	3,259,131	3,259,131	3,259,131	0
Prior Year Encumbrances Appropriated	<u>57,704</u>	<u>57,704</u>	<u>57,704</u>	0
Fund Balance at End of Year	<u><u>\$3,248,201</u></u>	<u><u>\$3,256,701</u></u>	<u><u>\$3,857,087</u></u>	<u><u>\$600,386</u></u>

See Accompanying Notes to Basic Financial Statements

Lakota Local School District  
Statement of Fund Net Position - Cash Basis  
Proprietary Fund  
June 30, 2016

	<u>Governmental Activity</u> <u>Internal Service</u>
<u>Current Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$10,851</u>
<u>Net Position:</u>	
Unrestricted	<u>\$10,851</u>

See Accompanying Notes to the Basic Financial Statements

Lakota Local School District  
Statement of Revenues, Expenses, and Changes in Fund Net Position - Cash Basis  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2016

	Governmental Activity
	Internal Service
<u>Operating Revenues:</u>	
Charges for Services	\$95,150
 <u>Operating Expenses:</u>	
Claims	84,299
Changes in Net Position	10,851
Net Position at Beginning of Year	0
Net Position at End of Year	\$10,851

See Accompanying Notes to the Basic Financial Statements



Lakota Local School District  
Statement of Cash Flows - Cash Basis  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2016

	Governmental Activity
	Internal Service
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Transactions with Other Funds	\$95,150
Cash Payments for Claims	(84,299)
Net Increase in Cash and Cash Equivalents	10,851
Cash and Cash Equivalents at Beginning of Year	0
Cash and Cash Equivalents at End of Year	\$10,851

See Accompanying Notes to the Basic Financial Statements

Lakota Local School District  
Statement of Cash Basis Fiduciary Net Position  
Fiduciary Funds  
June 30, 2016

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$20,535	\$50,271
<u>Net Position:</u>		
Held in Trust for Scholarships	\$20,535	\$0
Held for Student Activities	0	50,271
Total Net Position	\$20,535	\$50,271

See Accompanying Notes to Basic Financial Statements

Lakota Local School District  
Statement of Cash Basis Change in Fiduciary Net Position  
Private Purpose Trust Fund  
For the Fiscal Year Ended June 30, 2016

<u>Additions:</u>	
Interest	\$75
Gifts and Donations	3,988
Total Additions	<u>4,063</u>
 <u>Deductions:</u>	
Non-Instructional Services	<u>2,800</u>
 Change in Net Position	 1,263
 Net Position at Beginning of Year	 <u>19,272</u>
Net Position at End of Year	<u><u>\$20,535</u></u>

See Accompanying Notes to Basic Financial Statements

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Lakota Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and federal guidelines.

The School District was established in 1959. The School District serves an area of approximately one hundred forty-six square miles and is located in Sandusky, Seneca, and Wood Counties. It is staffed by seventy-five classified employees, seventy-five certified teaching personnel, and five administrative employees who provide services 1,096 students and other community members. The School District currently operates one instructional building and one bus garage.

**Reporting Entity**

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Lakota Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the School District. There are no component units of the Lakota Local School District.

The School District participates in two jointly governed organizations and two insurance pools. These organizations are the Northern Ohio Educational Computer Association, Vanguard-Sentinel Career and Technology Center, Ohio School Boards Association Workers’ Compensation Group Rating Plan, and the Jefferson Health Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District’s accounting policies.

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

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Fund Financial Statements

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

**B. Fund Accounting**

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

Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The School District's major funds are the General Fund and the Bond Retirement debt service fund.

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

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for property taxes and related receipts restricted for the payment of principal and interest on general obligation bonds.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed, or assigned to a particular purpose.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, change in net position, financial position, and cash flows. The School District reports one type of proprietary fund, an internal service fund.

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's internal service fund accounts for the activities of the self insurance program for employee dental benefits.

Fiduciary Funds

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

**C. Basis of Accounting**

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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 certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

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

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternative tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternative tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds are made by the School District Treasurer.

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

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

**E. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents held for the School District by the Jefferson Health Plan are reflected as "Cash and Cash Equivalents with Fiscal Agent".

During fiscal year 2016, the School District invested in STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on June 30, 2016.

The Board of Education has allocated interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2016 was \$22,196, which includes \$7,282 assigned from other School District funds.

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

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

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

**F. Capital Assets**

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

**G. Compensated Absences**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

**H. Long-Term Obligations**

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

**I. Net Position**

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for food service operations, music and athletic programs, and federal and state grants. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**J. Fund Balance**

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

**Nonspendable** - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

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



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

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

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated. The Board of Education has also assigned certain resources for extracurricular activities.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

**K. Operating Receipts and Disbursements**

Operating receipts are those receipts that are generated directly from the primary activity of the proprietary fund. For the School District, these receipts are insurance premiums. Operating disbursements are the necessary costs incurred to provide the service that is the primary activity of the fund. All receipts and disbursements not meeting this definition are reported as nonoperating.

**L. Interfund Activity**

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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

Lakota Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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

**M. Pensions**

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**NOTE 3 - RESTATEMENT OF FUND BALANCE/NET POSITION**

For fiscal year 2016, the School District reclassified funds to appropriately reflect the purpose of the funds.

At June 30, 2015, The Jefferson Heath Plan held cash in a custodial account on the School District's behalf to be used for future medical claims payments. The balance of this account should have been recorded as "Cash and Cash Equivalents with Fiscal Agent".

The restatement due to the above changes had the following effect on fund balance of the major and nonmajor funds of the School District as they were previously reported.

	General	Bond Retirement	Other Governmental	Total Governmental Funds
Fund Balance at June 30, 2015	\$3,298,128	\$569,095	\$1,605,976	\$5,473,199
Change in Fund Structure	18,707	0	(18,707)	0
Cash and Cash Equivalents with Fiscal Agent	606,687	0	31,931	638,618
Adjusted Fund Balance at June 30, 2015	<u>\$3,923,522</u>	<u>\$569,095</u>	<u>\$1,619,200</u>	<u>\$6,111,817</u>

The above changes had the following effect on net position:

Net Position June 30, 2015	\$5,473,199
Cash and Cash Equivalents with Fiscal Agent	638,618
Adjusted Net Position June 30, 2015	<u>\$6,111,817</u>

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash, receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as committed or assigned fund balance (cash basis). The General Fund encumbrances outstanding at year end (budgetary basis) were \$92,317.

**NOTE 5 - DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

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

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

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 held by the School District may be deposited or 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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio, and with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School 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.

**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$596,100 of the School District's bank balance of \$1,096,100 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments

As of June 30, 2016 the net value per share of funds on deposit with STAR Ohio was \$4,875,203. The School District's investments in STAR Ohio have an average maturity of 48.6 days. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with interest rate or credit risk beyond the requirements of State statute. Ohio law requires STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Lakota Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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

The School District receives property taxes from Sandusky, Seneca, and Wood Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2016 taxes were collected are:

	2015 Second- Half Collections		2016 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$152,440,590	88.00%	\$171,905,840	88.65%
Industrial/Commercial	10,211,330	5.89	10,328,150	5.33
Public Utility	10,584,400	6.11	11,673,100	6.02
Total Assessed Value	\$173,236,320	100.00%	\$193,907,090	100.00%
Tax rate per \$1,000 of assessed valuation	\$42.70		\$42.70	

**NOTE 7 - INCOME TAXES**

The School District levies a voted tax of 1.5 percent for general operations on the income of residents and of estates. The continuous tax levy was effective on January 1, 2008. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**NOTE 8 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, the School District contracted for the following insurance coverage.

Coverage provided by Catlin Indemnity Company is as follows:

General School District Liability	
General Aggregate	\$2,000,000
Each Occurrence	1,000,000
Automobile Liability	1,000,000
Buildings and Contents	35,772,876

Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage from the prior fiscal year.

**NOTE 8 - RISK MANAGEMENT** (continued)

For fiscal year 2016, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

The School District offers dental insurance to all employees through a self-insured program. All funds of the School District participated in the program and made payments to the Self Insurance internal service fund based on actuarial estimates of the amounts needed to pay prior and current year claims. The internal service fund covers claims up to \$1,500 per individual annually. Settled claims have not exceeded this coverage for the past three years. There is no stop-loss coverage.

The School District offers medical and drug insurance to all employees through a self-insured program through the General Fund. The School District's third party administrator is the Jefferson Health Plan. The School District purchased stop loss insurance for claims in excess of \$500,000 per individual and \$1,000,000 total aggregate annually. The School District's self-insured deductible is \$35,000. Amounts between \$35,000 and \$500,000 are paid from a shared risk pool. Settled claims have not exceeded this coverage for the past three years.

**NOTE 9 - CONTRACTUAL COMMITMENTS**

At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2017 are as follows:

General Fund	\$92,317
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**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**Net Pension Liability**

Pensions are a component of exchange transactions, between an employer and its employees, of salaries and benefits for employee services. Pensions are provided to an employee on a deferred payment basis as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables including estimated average life expectancies, earnings on investments, cost of living adjustments, and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Lakota Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

The Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation, including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer because (1) they benefit from employee services and (2) State statute requires all funding to come from the employers. All contributions to date have come solely from the employer (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within thirty years. If the amortization period exceeds thirty years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

**Plan Description - School Employees Retirement System (SERS)**

Plan Description - School District classified employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about SERS’ fiduciary net position. The report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

Age and service requirements for retirement are as follows:

	Eligible to retire on or before August 1, 2017 *	Eligible to retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit
* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.		

Annual retirement benefits are calculated based on the final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over thirty years. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a 3 percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$245,530 for fiscal year 2016.

**Plan Description - State Teachers Retirement System (STRS)**

Plan Description - School District licensed teachers and other certified faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. The report can be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP) and a Combined Plan (CP). Benefits are established by Ohio Revised Code Chapter 3307. The DBP plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2 percent of the original base benefit. For members retiring August 1, 2013, or later, the first 2 percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age sixty with five years of qualifying service credit, at age fifty-five with twenty-five years of service credit, or thirty years of service credit regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age sixty with thirty-five years of service or age sixty-five with five years of service on August 1, 2026.

The DCP allows members to place all of their member contributions and 9.5 percent of the 14 percent employer contribution into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer contribution rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The CP offers features of both the DBP and the DCP. In the CP, 11 percent of the 12 percent member rate goes to the DCP and 1 percent goes to the DBP. Member contributions to the DCP are allocated among investment choices by the member and contributions to the DBP from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DBP. The defined benefit portion of the CP payment is payable to a member on or after age sixty with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty.



Lakota Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

New members who choose the DCP or CP will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's CP account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

A DBP or CP member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased 1 percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$559,023 for fiscal year 2016.

**Net Pension Liability**

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the Net Pension Liability			
Prior Measurement Date	.06195900%	.03767661%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>.06174080%</u>	<u>.03774208</u>	
Change in Proportionate Share	<u>(.00021820 %)</u>	<u>.00006547%</u>	
Proportionate Share of the			
Net Pension Liability	\$3,522,990	\$10,430,807	\$13,953,797

**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67 as part of the annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investment expenses, including inflation
Actuarial Cost Method	entry age normal

For postretirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed on June 30, 2010.

The long-term return expectation for the pension plan investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Lakota Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

The target allocation and best estimates of long-term expected real rate of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.00%
U.S. Stocks	22.50	5.00
Non-U.S. Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00%</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.75 percent as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's Proportionate Share of the Net Pension Liability	\$4,885,121	\$3,522,990	\$2,375,963

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the School District's net pension liability is expected to be significant.

Lakota Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.75 percent
Projected Salary Increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses
Cost of Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022-Scale AA) for males and females. Males ages are set back two years through age eighty-nine and no set back for age ninety and above. Females younger than age eighty are set back four years, one year set back from age eighty through eighty-nine, and no set back from age ninety and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study effective July 1, 2012.

STRS' investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	10 Year Expected Nominal Rate of Return *
Domestic Equity	31.00%	8.00%
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
	100.00%	

\*10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent.

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Lakota Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's Proportionate Share of the Net Pension Liability	\$14,489,178	\$10,430,807	\$6,998,849

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2016, one of the Board of Education members has elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**School Employees Retirement System (SERS)**

Health Care Plan Description - The School District contributes to the SERS Health Care Fund administered by SERS for classified retirees and their beneficiaries. For GASB Statement No. 45 purposes, this plan is considered a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). The SERS Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

**NOTE 11 - POSTEMPLOYMENT BENEFITS** (continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, prorated according to service credit earned. For fiscal year 2016, this amount was \$23,000. State statute provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2016, the School District's surcharge obligation was \$32,100.

The School District's contribution for health care for the fiscal years ended June 30, 2016, 2015, and 2014 was \$0, \$47,445, and \$33,748, respectively. The full amount has been contributed for all three fiscal years.

**State Teachers Retirement System (STRS)**

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the health care plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the health care plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal years ended June 30, 2016, and June 30, 2015, STRS did not allocate any employer contributions to postemployment health care. For the fiscal year ended June 30, 2014, 1 percent of covered payroll was allocated to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$36,762 respectively. The full amount has been contributed for all three fiscal years.

**NOTE 12 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Lakota Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**NOTE 12 - OTHER EMPLOYEE BENEFITS** (continued)

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred fifty-five days for classified employees and two hundred sixty-seven days for certified employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit up to a maximum of sixty-three and three-fourth days for classified employees and sixty-five days for certified employees.

**B. Employee Insurance Benefits**

The School District offers medical and dental insurance to all employees through self-insurance programs. The School District offers life insurance through Dearborn National Life Insurance Company.

**NOTE 13 - LONG-TERM OBLIGATIONS**

Changes in the School District's long-term obligations during fiscal year 2016 were as follows:

	Balance at 6/30/15	Additions	Reductions	Balance at 6/30/16	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
School Facilities Construction and Improvement Bonds, FY 2008A					
Serial Bonds 3.25-4%	\$4,055,000	\$0	\$1,085,000	\$2,970,000	\$280,000
Term Bonds 4.25%	4,610,000	0	2,885,000	1,725,000	0
School Facilities Construction and Improvement Bonds, FY 2008B					
Serial Bonds 3-3.75%	200,000	0	65,000	135,000	65,000
Term Bonds 4-4.375%	1,835,000	0	0	1,835,000	0
School Facilities Construction and Improvement Bonds, FY 2008C					
Serial Bonds 2.25-4%	4,035,000	0	3,425,000	610,000	300,000
Term Bonds 4%	1,950,000	0	1,950,000	0	0
Capital Appreciation Bonds 17.725%	80,787	0	80,787	0	0
Accretion on Capital Appreciation Bonds	172,594	46,619	219,213	0	0
Bond Premium	536,584	0	290,443	246,141	0
School Improvement Refunding Bonds, FY 2016-1					
Serial Bonds 4%	0	3,475,000	0	3,475,000	0
Bond Premium	0	556,759	0	556,759	0
School Improvement Refunding Bonds, FY 2016-2					
Serial Bonds 1.5-4%	0	5,200,000	0	5,200,000	45,000
Bond Premium	0	638,518	0	638,518	0
<b>Total General Obligation Bonds</b>	<b>\$17,474,965</b>	<b>\$9,916,896</b>	<b>\$10,000,443</b>	<b>\$17,391,418</b>	<b>\$690,000</b>

Lakota Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**NOTE 13 - LONG-TERM OBLIGATIONS** (continued)

2008A School Facilities Construction and Improvement Bonds - On March 20, 2008, the School District issued general obligation bonds, in the amount of \$9,899,992, for improving and constructing school buildings and facilities. The bond issue included serial, term, and capital appreciation bonds, in the original amount of \$5,090,000, \$4,610,000, and \$199,992, respectively. The bonds were issued for a twenty-eight fiscal year period, with final maturity in fiscal year 2036. The bonds are being retired from the Bond Retirement debt service fund. During fiscal year 2016, a portion of the serial and term bonds were refunded, in the amount of \$815,000 and \$2,885,000, respectively. The capital appreciation bonds matured and were fully retired in fiscal year 2015.

FY 2008B School Facilities Construction and Improvement Bonds - On April 8, 2008, the School District issued general obligation bonds, in the amount of \$2,330,000, for improving and constructing school buildings and facilities. The bond issue included serial, term, and capital appreciation bonds, in the original amount of \$485,000, \$1,835,000, and \$10,000, respectively. The bonds were issued for a twenty-eight fiscal year period, with final maturity in fiscal year 2036. The bonds are being retired from the Bond Retirement debt service fund. The capital appreciation bonds matured and were fully retired in fiscal year 2015.

FY 2008C School Facilities Construction and Improvement Bonds - On April 24, 2008, the School District issued general obligation bonds, in the amount of \$7,399,992, for improving and constructing school buildings and facilities. The bond issue included serial, term, and capital appreciation bonds, in the original amount of \$5,160,000, \$1,950,000, and \$289,992, respectively. The bonds were issued for a twenty-three fiscal year period, with final maturity in fiscal year 2031. The bonds are being retired from the Bond Retirement debt service fund. During fiscal year 2016, a portion of the serial bonds and all of the term bonds were refunded, in the amount of \$3,425,000 and \$1,950,000, respectively. The capital appreciation bonds matured and were fully retired in fiscal year 2016.

FY 2016-1 School Improvement Refunding Bonds - On March 23, 2016, the School District issued general obligation bonds, in the amount of \$3,475,000, to partially refund bonds previously issued in fiscal year 2008 for improving and constructing school buildings and facilities. The refunding bond issue consists of serial bonds. The bonds were issued at a premium of \$556,759. The bonds were issued for a seventeen fiscal year period, with maturity in fiscal year 2033. The bonds are being retired through the Bond Retirement debt service fund.

The net proceeds of the refunding bond issue, in the amount of \$3,957,386, were used to purchase U.S. government securities. The securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the FY 2008A School Facilities Construction and Improvement bonds. As a result, \$3,700,000 of the FY 2008A School Facilities Construction and Improvement bonds are considered to be defeased.

Although the refunding will result in the recognition of an accounting loss of \$257,386, the School District in effect decreased its aggregate debt service payments by \$427,767 over the next seventeen years and obtained an economic gain (difference between present values of the old and new debt service payments) of \$326,628.

The serial bonds are subject to prior redemption on or after July 15, 2026, by and at the sole option of the School District, either in whole on any date or in part on any interest payment date, and in integral multiples of \$5,000, at 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

As of June 30, 2016, \$3,700,000 of the refunded bonds was still outstanding.



Lakota Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**NOTE 13 - LONG-TERM OBLIGATIONS** (continued)

FY 2016-2 School Improvement Refunding Bonds - On March 23, 2016, the School District issued general obligation bonds, in the amount of \$5,200,000, to partially refund bonds previously issued in fiscal year 2008 for improving and constructing school buildings and facilities. The refunding bond issue consists of serial bonds. The bonds were issued at a premium of \$638,518. The bonds were issued for a fifteen fiscal year period, with maturity in fiscal year 2031. The bonds are being retired through the Bond Retirement debt service fund.

The net proceeds of the refunding bond issue, in the amount of \$5,738,491, were used to purchase U.S. government securities. The securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the FY 2008C School Facilities Construction and Improvement bonds. As a result, \$5,375,000 of the FY 2008C School Facilities Construction and Improvement bonds are considered to be defeased.

Although the refunding will result in the recognition of an accounting loss of \$363,491, the School District in effect decreased its aggregate debt service payments by \$489,435 over the next fifteen years and obtained an economic gain (difference between present values of the old and new debt service payments) of \$413,131.

The serial bonds are subject to prior redemption on or after July 15, 2026, by and at the sole option of the School District, either in whole on any date or in part on any interest payment date, and in integral multiples of \$5,000, at 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

As of June 30, 2016, \$5,375,000 of the refunded bonds was still outstanding.

The School District's overall debt margin was \$1,785,892 with an unvoted debt margin of \$185,581 at June 30, 2016.

Principal and interest requirements to retire general long-term obligations outstanding at June 30, 2016, were as follows:

Fiscal Year Ending	General Obligation Bonds			
	Serial	Term	Interest	Total
2017	\$690,000	\$0	\$598,075	\$1,288,075
2018	670,000	0	571,309	1,241,309
2019	640,000	70,000	545,471	1,255,471
2020	655,000	75,000	520,047	1,250,047
2021	685,000	75,000	496,383	1,256,383
2022-2026	3,700,000	435,000	2,093,674	6,228,674
2027-2031	4,375,000	530,000	1,210,271	6,115,271
2032-2036	975,000	2,375,000	370,993	3,720,993
	\$12,390,000	\$3,560,000	\$6,406,223	\$22,356,223

Lakota Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**NOTE 14 - FUND BALANCE**

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

Fund Balance	General	Bond Retirement	Other Governmental	Total Governmental Funds
Restricted for:				
Athletics and Music	\$0	\$0	\$17,803	\$17,803
Building Construction	0	0	98,929	98,929
Debt Retirement	0	1,033,565	0	1,033,565
Facilities Maintenance	0	0	316,348	316,348
Food Service Operations	0	0	85,369	85,369
Network Connectivity	0	0	67,021	67,021
Permanent Improvements	0	0	281,367	281,367
Special Instruction	0	0	2,581	2,581
<b>Total Restricted</b>	<b>0</b>	<b>1,033,565</b>	<b>869,418</b>	<b>1,902,983</b>
Assigned for:				
Extracurricular Activities	12,738	0	0	12,738
Unpaid Obligations	92,050	0	0	92,050
<b>Total Assigned</b>	<b>104,788</b>	<b>0</b>	<b>0</b>	<b>104,788</b>
Unassigned	4,707,958	0	0	4,707,958
<b>Total Fund Balance</b>	<b>\$4,812,746</b>	<b>\$1,033,565</b>	<b>\$869,418</b>	<b>\$6,715,729</b>

**NOTE 15 - SET ASIDE REQUIREMENTS**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory for the acquisition and construction of capital improvements. The amount not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. This amount must be carried forward and used for the same purpose in future fiscal years.

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2016.

	<u>Capital Improvements</u>
Balance June 30, 2015	\$143,147
Current Year Set Aside Requirement	182,448
Current Year Offsets	(325,595)
<b>Set Aside Reserve Balance June 30, 2016</b>	<b><u>\$0</u></b>

**NOTE 16 - INTERFUND TRANSFERS**

During fiscal year 2016, the General Fund made transfers to the Bond Retirement debt service fund and other governmental funds, in the amount of \$510,000 and \$61,330, respectively, to move receipts as debt payments came due and to subsidize operations in other funds.

During fiscal year 2016, other governmental funds made transfers to other governmental funds, in the amount of \$375,425, for the return of interest earned on the local portion of the Ohio School Facilities Commission building project.

As of June 30, 2015, the School District had an advance of \$25,850 from the General Fund to the Title I School Improvement Stimulus A Fund which had not been repaid as of June 30, 2016.

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Northern Ohio Educational Computer Association**

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among a number of school districts. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The NOECA Assembly consists of a representative from each participating school district. The degree of control exercised by any participating school district is limited to its representation on the Board of Directors. During fiscal year 2016, the School District paid \$129,612 to NOECA for various services. Financial information can be obtained from NOECA, 219 Howard Drive, Sandusky, Ohio 44870.

**B. Vanguard-Sentinel Career and Technology Center**

Vanguard-Sentinel Career and Technology Center (Center) is a distinct political subdivision of the State of Ohio which provides vocational education. The Center operates under the direction of a fourteen member Board consisting of representatives from each of the sixteen participating school districts' Board of Education. The Board possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from Vanguard-Sentinel Career and Technology Center, 1306 Cedar Street, Fremont, Ohio 43420.

**NOTE 18 - INSURANCE POOLS**

**A. Ohio School Boards Association Workers' Compensation Group Rating Plan**

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

The GRP'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 GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

**NOTE 18 - INSURANCE POOLS** (continued)

**B. Jefferson Health Plan**

The School District participates in the Jefferson Health Plan (Plan), a risk-sharing, claims servicing, and insurance purchasing pool, including two insurance consortiums. Each participant appoints a member of the insurance plan's assembly. The Plan's business and affairs are conducted by a nine member Board of Directors elected from the assembly. The Plan offers medical, dental, and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$200,000, under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$500,000, and all claims between the deductible limit and the \$500,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan's participants. All participants pay a premium rate that is actuarially calculated based on the participant's actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$500,000, stop loss coverage is purchased, as well as from an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services.

**NOTE 19 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2016.

**B. School Foundation**

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2016, traditional school districts must comply with minimum hours of instruction instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016, foundation funding for the School District, therefore, any financial statement impact is not determinable at this time. This may result in a receivable to or a liability of the School District.

**C. Litigation**

There are currently no matters in litigation with the School District as defendant.

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<i>Passed Through Ohio Department of Education</i>		
Child Nutrition Cluster:		
National School Lunch Program		
Non-Cash Assistance (Food Distribution)	10.555	\$ 38,354
Cash Assistance	10.555	229,462
Total National School Lunch Program		<u>267,816</u>
School Breakfast Program	10.553	64,752
Summer Food Service Program for Children	10.559	10,764
<b>Total U.S. Department of Agriculture - Child Nutrition Cluster</b>		<b><u>343,332</u></b>
<b>U.S. DEPARTMENT OF EDUCATION</b>		
<i>Passed Through Ohio Department of Education</i>		
Title I Grants to Local Educational Agencies	84.010	304,821
Migrant Education State Grant Program	84.011	139,028
Special Education Cluster (IDEA):		
Special Education Grants to States	84.027	326,009
Special Education Preschool Grants	84.173	12,154
Total Special Education Cluster (IDEA)		<u>338,163</u>
Improving Teacher Quality State Grants	84.367	42,325
<b>Total U.S. Department of Education</b>		<b><u>824,337</u></b>
<b>Total Expenditures of Federal Awards</b>		<b><u>\$ 1,167,669</u></b>

*The accompanying notes are an integral part of this schedule.*

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Lakota Local School District, Sandusky County, Ohio (the District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225) or contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE D – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

**NOTE E - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2015 to 2016 programs:

<b>Program Title</b>	<b>CFDA Number</b>	<b>Amt. Transferred</b>
Special Education - Grants to States	84.027	\$ 22,466
Migrant Education State Grant Program	84.011	\$ 37,967
Title I Grants to Local Educational Agencies	84.010	\$ 53,000



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Lakota Local School District  
Sandusky County  
5200 County Road 13  
Kansas, Ohio 44841-9617

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lakota Local School District, Sandusky County, Ohio (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 21, 2017, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted the District restated their beginning fund balances and net position to properly include cash held by a fiscal agent and to reclassify a fund to more appropriately reflect the purpose of the fund.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-001 and 2016-002.

***Entity's Response to Findings***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 21, 2017





# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Lakota Local School District  
Sandusky County  
5200 County Road 13  
Kansas, Ohio 44841-9617

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited Lakota Local School District, Sandusky County, Ohio's (the District's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Lakota Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2016.

***Report on Internal Control Over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected or corrected. A *significant deficiency in internal over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 21, 2017

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2016**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Child Nutrition Cluster Special Education Cluster (IDEA)
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR §200.520?</b>	No

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

**FINDING NUMBER 2016-001**

**Noncompliance**

**Ohio Rev. Code § 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

**Ohio Admin. Code § 117-2-03(B)**, which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

As a cost savings measure, the District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District.

We recommend the District prepare its financial statements in accordance with generally accepted accounting principles.

**Officials' Response**

The Board feels they are saving the tax payers money by not paying for a GAAP conversion which is required to follow generally accepted accounting principles. We are not planning on changing from reporting OCBOA GASB 34 look alike financial statements.

**FINDING NUMBER 2016-002**

**Finding for Recovery Resolved Under Audit**

The negotiated agreement between Lakota Local School District Board of Education and the Ohio Association of Public School Employees, AFSCME AFL-CIO OAPSE Local #018 was affective July 1, 2015.

The July 1, 2015 – June 30, 2016 Classified Wage Rate Schedule shows the position of Custodian with 20 years' experience at a rate of \$16.91 per hour.

The rate entered into the accounting system for Custodian Terry Tahy, was \$17.55 (the rate for a Mechanic with 20 years' experience). This resulted in an hourly overpayment of \$0.64 per hour. The total hours worked from July 1, 2015 through December 31, 2015 were 1,056, resulting in an overpayment of \$676 (\$0.64 x 1,056 hours).

Terry Tahy, Custodian retired as of December 31, 2015.

The severance pay was also calculated at the \$17.55 rate instead of the \$16.91 rate. This resulted in a severance overpayment of \$244. Resulting in a total overpayment of \$920, as calculated below:

	<b>Calculation of hours at \$16.91</b>	<b>Calculation of hours at \$17.55</b>	<b>Overpayment</b>
Mechanic with 20 yrs		\$ 17.55	
Custodian with 20 yrs	\$ 16.91		
Number of days worked 7/1/2015 - 12/31/2015	132	132	
Number of hours in a day	8	8	
Total hours	1,056	1,056	
	<u>\$ 17,856.96</u>	<u>\$ 18,532.80</u>	\$ 675.84
	<b>Calculation of Severance</b>	<b>Amount Paid</b>	<b>Overpayment</b>
Sick Leave Balance (days)	190.75	190.75	
Per policy 1/4 of balance (days)	47.6875	47.6875	
Converted to hours (8 hrs per day)	381.5	381.5	
Hourly rate	\$ 16.91	\$ 17.55	
	<u>\$ 6,451.17</u>	<u>\$ 6,695.33</u>	\$ 244.16
<b>Total Overpayment</b>			<u>\$ 920.00</u>

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a finding for recovery for public monies illegally expended is hereby issued against Terry Tahy, in the total amount of \$920, and in favor of the Lakota Local School District General Fund.

On February 13, 2017, the Lakota Board of Education and Ohio Association of Public School Employees, AFSCME AFL-CIO Local #018 entered into a Memorandum of Understanding to not seek repayment and forgive this clerical error. This finding for recovery is considered resolved under audit.

**Officials' Response**

The Memorandum of Understanding was entered into by the parties in order to avoid a potentially expensive dispute with the union if the District had pursued reimbursement from Mr. Tahy. The Union's likely challenge would have resulted in costs far in excess of the \$920 at issue, regardless of the outcome. Thus, the MOU was the result of a practical assessment of the likely costs of a legal challenge.

**3. FINDINGS FOR FEDERAL AWARDS**

None

**LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR 200.511(b)  
JUNE 30, 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for reporting on a basis other than generally accepted accounting principles.	Not corrected. Repeated in this report as finding 2016-001.	The Board feels they are saving the tax payers money by not paying for a GAAP conversion which is required to follow generally accepted accounting principles. We are not planning on changing from reporting OCBOA GASB 34 look alike financial statements.
2015-002	Ohio Rev. Code § 5705.36 for not certifying to the County Auditor the total amount from all sources available for expenditure.	Fully corrected.	
2015-003	Material weakness due to errors over financial reporting.	Fully corrected.	
2015-004	Material weakness over OMB Circular A133 § .300 for not including commodities on the Federal Schedule.	Fully corrected.	
2015-005	Material weakness over 7 CFR § 3016.36 for not following federal procurement standards.	Fully corrected.	

LAKOTA LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY

CORRECTIVE ACTION PLAN  
2 CFR § 200.511(c)  
JUNE 30, 2016

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2016-001	Due to cost savings, this will not be corrected.		Norm Elchert, Treasurer
2016-002	This has been resolved under audit.	February 13, 2017	Norm Elchert, Treasurer

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# Dave Yost • Auditor of State

LAKOTA LOCAL SCHOOL DISTRICT

SANDUSKY COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
APRIL 6, 2017