

**LAKOTA LOCAL
SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**
***GENERAL PURPOSE FINANCIAL STATEMENTS
(AUDITED)***
***FOR THE FISCAL YEAR ENDED
JUNE 30, 2003***

NATHAN LYNCH, TREASURER



**Auditor of State
Betty Montgomery**

Board of Education
Lakota Local School District
356 Union Street
P.O. Box 5
Rising Sun, Ohio 43457

We have reviewed the Independent Auditor's Report of the Lakota Local School District, Sandusky County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 2002 through June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 2, 2004

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

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TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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Independent Auditor's Report

Board of Education
Lakota Local School District
365 Union Street
Risingsun, Ohio 43457-0005

We have audited the accompanying general purpose financial statements of the Lakota Local School District, Sandusky County, (the “District”), as of and for the fiscal year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the District’s management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Lakota Local School District, Sandusky County, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Trimble, Julian & Grube, Inc.
October 29, 2003

LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2003

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
ASSETS AND OTHER DEBITS			
ASSETS:			
Equity in pooled cash and cash equivalents.	\$ 1,667,581	\$ 132,916	\$ 2,232
Receivables (net of allowances of uncollectibles):			
Property taxes - current & delinquent	3,290,097	-	-
Accounts.	-	301	-
Due from other governments	2,818	206,210	-
Due from other funds	46,855	-	-
Materials and supplies inventory	-	-	-
Prepayments.	49,755	-	-
Restricted assets:			
Equity in pooled cash and cash equivalents.	338,263	-	-
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-
OTHER DEBITS:			
Amount to be provided for retirement of general long-term obligations.	-	-	-
Total assets and other debits	\$ 5,395,369	\$ 339,427	\$ 2,232
LIABILITIES, EQUITY AND OTHER CREDITS			
LIABILITIES:			
Accounts payable	\$ 107,179	\$ 18,332	\$ 943
Accrued wages and benefits.	761,561	34,888	-
Compensated absences payable.	51,980	-	-
Claims payable	-	-	-
Pension obligation payable	110,565	16,171	-
Deferred revenue	2,857,054	137,528	-
Due to other governments.	28,690	1,472	-
Due to students	-	-	-
Due to other funds.	8,450	46,855	-
Obligation under capital lease	-	-	-
Total liabilities	3,925,479	255,246	943
EQUITY AND OTHER CREDITS:			
Investment in general fixed assets	-	-	-
Retained earnings: unreserved	-	-	-
Fund balances:			
Reserved for encumbrances	360,006	18,720	3
Reserved for prepayments.	49,755	-	-
Reserved for tax revenue unavailable for appropriation.	433,043	-	-
Reserved for capital acquisitions.	108,746	-	-
Reserved for instructional materials.	182,327	-	-
Reserved for BWC refunds	47,190	-	-
Unreserved-undesignated.	288,823	65,461	1,286
Total equity and other credits	1,469,890	84,181	1,289
Total liabilities, equity and other credits	\$ 5,395,369	\$ 339,427	\$ 2,232

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$ 230,618	\$ 21,928	\$ 43,908	\$ -	\$ -	\$ 2,099,183
-	-	-	-	-	3,290,097
-	-	-	-	-	301
14,452	-	-	-	-	223,480
-	8,896	-	-	-	55,751
2,004	-	-	-	-	2,004
-	-	-	-	-	49,755
-	-	-	-	-	338,263
22,855	-	-	7,415,370	-	7,438,225
-	-	-	-	756,577	756,577
<u>\$ 269,929</u>	<u>\$ 30,824</u>	<u>\$ 43,908</u>	<u>\$ 7,415,370</u>	<u>\$ 756,577</u>	<u>\$ 14,253,636</u>
\$ 1,115	\$ -	\$ -	\$ -	\$ -	\$ 127,569
30,079	-	-	-	-	826,528
11,612	-	-	-	575,184	638,776
-	8,972	-	-	-	8,972
19,166	-	-	-	85,977	231,879
-	8,896	-	-	-	3,003,478
920	-	-	-	-	31,082
-	-	24,006	-	-	24,006
446	-	-	-	-	55,751
-	-	-	-	95,416	95,416
<u>63,338</u>	<u>17,868</u>	<u>24,006</u>	<u>-</u>	<u>756,577</u>	<u>5,043,457</u>
-	-	-	7,415,370	-	7,415,370
206,591	12,956	-	-	-	219,547
-	-	-	-	-	378,729
-	-	-	-	-	49,755
-	-	-	-	-	433,043
-	-	-	-	-	108,746
-	-	-	-	-	182,327
-	-	-	-	-	47,190
-	-	19,902	-	-	375,472
<u>206,591</u>	<u>12,956</u>	<u>19,902</u>	<u>7,415,370</u>	<u>-</u>	<u>9,210,179</u>
<u>\$ 269,929</u>	<u>\$ 30,824</u>	<u>\$ 43,908</u>	<u>\$ 7,415,370</u>	<u>\$ 756,577</u>	<u>\$ 14,253,636</u>

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

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Revenues:					
From local sources:					
Taxes	\$ 2,780,836	\$ -	\$ -	\$ -	\$ 2,780,836
Earnings on investments	38,315	21	-	179	38,515
Extracurricular	-	75,907	-	-	75,907
Other local revenues	131,128	34,353	10,000	2,882	178,363
Other revenue	14,892	-	-	-	14,892
Intergovernmental - State	5,720,609	146,998	-	-	5,867,607
Intergovernmental - Federal	-	401,842	-	-	401,842
Total revenues	8,685,780	659,121	10,000	3,061	9,357,962
Expenditures:					
Current:					
Instruction:					
Regular	3,624,299	169,082	38,759	-	3,832,140
Special	1,226,610	393,024	-	-	1,619,634
Vocational	5,089	-	-	-	5,089
Other	780,441	-	-	-	780,441
Support services:					
Pupil	345,813	69,176	-	1,200	416,189
Instructional staff	316,292	-	-	-	316,292
Board of Education	13,404	-	-	1,250	14,654
Administration	621,510	64,176	-	-	685,686
Fiscal	130,611	996	-	-	131,607
Business	140,230	-	-	-	140,230
Operations and maintenance	691,167	17,500	14,192	-	722,859
Pupil transportation	747,979	1,096	-	-	749,075
Central	4,488	-	-	-	4,488
Community services	-	30,810	-	-	30,810
Extracurricular activities	174,438	83,198	-	-	257,636
Capital outlay	109,278	-	-	-	109,278
Debt service:					
Principal retirement	16,444	-	-	-	16,444
Interest and fiscal charges	6,081	-	-	-	6,081
Total expenditures	8,954,174	829,058	52,951	2,450	9,838,633
Excess (deficiency) of revenues over (under) expenditures	(268,394)	(169,937)	(42,951)	611	(480,671)
Other financing sources:					
Proceeds of capital lease transaction	109,278	-	-	-	109,278
Total other financing sources	109,278	-	-	-	109,278
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(159,116)	(169,937)	(42,951)	611	(371,393)
Fund balances, July 1	1,629,006	254,118	44,240	19,291	1,946,655
Fund balances, June 30	<u>\$ 1,469,890</u>	<u>\$ 84,181</u>	<u>\$ 1,289</u>	<u>\$ 19,902</u>	<u>\$ 1,575,262</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 2,584,448	\$ 2,776,439	\$ 191,991	\$ -	\$ -	\$ -
Earnings on investments	35,666	38,315	2,649	20	21	1
Extracurricular	-	-	-	71,378	75,907	4,529
Other local revenues	119,096	130,807	11,711	32,010	34,052	2,042
Other revenue	51,593	14,892	(36,701)	-	-	-
Intergovernmental - State	5,336,541	5,720,609	384,068	88,482	146,998	58,516
Intergovernmental - Federal	-	-	-	400,790	426,222	25,432
Total revenues	8,127,344	8,681,062	553,718	592,680	683,200	90,520
Expenditures:						
Current:						
Instruction:						
Regular	3,479,849	3,671,842	(191,993)	127,036	169,755	(42,719)
Special	1,410,205	1,232,692	177,513	435,756	370,154	65,602
Vocational	2,000	5,089	(3,089)	-	-	-
Other	910,000	779,552	130,448	-	-	-
Support services:						
Pupil	179,964	340,521	(160,557)	77,899	74,778	3,121
Instructional staff	501,602	316,332	185,270	-	-	-
Board of Education	415,150	203,000	212,150	4,120	-	4,120
Administration	640,680	636,493	4,187	79,795	64,762	15,033
Fiscal	156,543	131,911	24,632	1,165	1,000	165
Business	263,312	150,038	113,274	-	-	-
Operations and maintenance	854,127	703,403	150,724	30,427	17,501	12,926
Pupil transportation	918,333	896,961	21,372	46,587	-	46,587
Central	40,243	4,231	36,012	57	-	57
Community services	-	-	-	31,182	30,768	414
Extracurricular activities	183,045	174,216	8,829	85,088	83,126	1,962
Facility acquisition and construction	5,000	-	5,000	-	-	-
Total expenditures	9,960,053	9,246,281	713,772	919,112	811,844	107,268
Excess (deficiency) of revenues over (under) expenditures	(1,832,709)	(565,219)	1,267,490	(326,432)	(128,644)	197,788
Other financing sources (uses):						
Advances in	3,211	3,450	239	-	-	-
Advances out	(5,000)	-	5,000	(3,450)	(3,450)	-
Operating transfers in	-	-	-	-	-	-
Operating transfers out	(160,000)	-	160,000	-	-	-
Refund of prior year expenditures	252	271	19	-	-	-
Total other financing sources (uses)	(161,537)	3,721	165,258	(3,450)	(3,450)	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(1,994,246)	(561,498)	1,432,748	(329,882)	(132,094)	197,788
Fund balances, July 1	1,637,834	1,637,834	-	152,185	152,185	-
Prior year encumbrances appropriated	549,803	549,803	-	31,683	31,683	-
Fund balances (deficit), June 30	\$ 193,391	\$ 1,626,139	\$ 1,432,748	\$ (146,014)	\$ 51,774	\$ 197,788

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Capital Projects			Total (Memorandum only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 2,584,448	\$ 2,776,439	\$ 191,991
-	-	-	35,686	38,336	2,650
-	-	-	71,378	75,907	4,529
10,000	10,000	-	161,106	174,859	13,753
-	-	-	51,593	14,892	(36,701)
-	-	-	5,425,023	5,867,607	442,584
-	-	-	400,790	426,222	25,432
<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>8,730,024</u>	<u>9,374,262</u>	<u>644,238</u>
40,847	38,760	2,087	3,647,732	3,880,357	(232,625)
-	-	-	1,845,961	1,602,846	243,115
-	-	-	2,000	5,089	(3,089)
-	-	-	910,000	779,552	130,448
-	-	-	257,863	415,299	(157,436)
-	-	-	501,602	316,332	185,270
-	-	-	419,270	203,000	216,270
-	-	-	720,475	701,255	19,220
-	-	-	157,708	132,911	24,797
-	-	-	263,312	150,038	113,274
12,663	13,542	(879)	897,217	734,446	162,771
-	-	-	964,920	896,961	67,959
-	-	-	40,300	4,231	36,069
-	-	-	31,182	30,768	414
-	-	-	268,133	257,342	10,791
-	-	-	5,000	-	5,000
<u>53,510</u>	<u>52,302</u>	<u>1,208</u>	<u>10,932,675</u>	<u>10,110,427</u>	<u>822,248</u>
<u>(43,510)</u>	<u>(42,302)</u>	<u>1,208</u>	<u>(2,202,651)</u>	<u>(736,165)</u>	<u>1,466,486</u>
-	-	-	3,211	3,450	239
-	-	-	(8,450)	(3,450)	5,000
2,152	2,152	-	2,152	2,152	-
(2,152)	(2,152)	-	(162,152)	(2,152)	160,000
-	-	-	252	271	19
-	-	-	<u>(164,987)</u>	<u>271</u>	<u>165,258</u>
(43,510)	(42,302)	1,208	(2,367,638)	(735,894)	1,631,744
5,032	5,032	-	1,795,051	1,795,051	-
<u>39,208</u>	<u>39,208</u>	<u>-</u>	<u>620,694</u>	<u>620,694</u>	<u>-</u>
<u>\$ 730</u>	<u>\$ 1,938</u>	<u>\$ 1,208</u>	<u>\$ 48,107</u>	<u>\$ 1,679,851</u>	<u>\$ 1,631,744</u>

LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN RETAINED EARNINGS (ACCUMULATED DEFICIT)
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Operating revenues:			
Sales/charges for services	\$ 217,854	\$ 66,904	\$ 284,758
 Total operating revenues	217,854	66,904	284,758
 Operating expenses:			
Personal services	187,911	-	187,911
Contract services	24,178	4,710	28,888
Materials and supplies	177,195	-	177,195
Depreciation	6,853	-	6,853
Claims expense	-	48,327	48,327
 Total operating expenses	396,137	53,037	449,174
 Operating income (loss)	(178,283)	13,867	(164,416)
 Nonoperating revenues:			
Intergovernmental grants	126,386	-	126,386
Federal commodities	41,143	-	41,143
Interest revenue	3,129	-	3,129
 Total nonoperating revenues	170,658	-	170,658
 Net income (loss)	(7,625)	13,867	6,242
 Retained earnings (accumulated deficit), July 1	214,216	(911)	213,305
 Retained earnings, June 30	\$ 206,591	\$ 12,956	\$ 219,547

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO
STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Cash flows from operating activities:			
Cash received from sales/service charges	\$ 217,854	\$ 66,904	\$ 284,758
Cash payments for personal services	(184,258)	-	(184,258)
Cash payments for contract services	(23,140)	(4,710)	(27,850)
Cash payments for materials and supplies	(136,905)	-	(136,905)
Cash payments for claims expenses	-	(59,552)	(59,552)
Net cash provided by (used in) operating activities	<u>(126,449)</u>	<u>2,642</u>	<u>(123,807)</u>
Cash flows from noncapital financing activities:			
Cash received from operating grants	<u>126,203</u>	-	<u>126,203</u>
Net cash provided by noncapital financing activities	<u>126,203</u>	-	<u>126,203</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(4,428)</u>	-	<u>(4,428)</u>
Net cash used in capital and related financing activities	<u>(4,428)</u>	-	<u>(4,428)</u>
Cash flows from investing activities:			
Interest received	<u>3,129</u>	-	<u>3,129</u>
Net cash provided by investing activities	<u>3,129</u>	-	<u>3,129</u>
Net increase (decrease) in cash and cash equivalents	(1,545)	2,642	1,097
Cash and cash equivalents at beginning of year	<u>232,163</u>	<u>19,286</u>	<u>251,449</u>
Cash and cash equivalents at end of year	<u>\$ 230,618</u>	<u>\$ 21,928</u>	<u>\$ 252,546</u>
Reconciliation of operating income (loss) to net cash used in operating activities:			
Operating income (loss)	\$ (178,283)	\$ 13,867	\$ (164,416)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	6,853	-	6,853
Federal donated commodities	41,143	-	41,143
Changes in assets and liabilities:			
Decrease in materials and supplies inventory	374	-	374
Increase in due from other funds	-	(506)	(506)
Increase in accounts payable	1,109	-	1,109
Increase in accrued wages and benefits	3,847	-	3,847
Decrease in compensated absences payable	(1,341)	-	(1,341)
Increase in pension obligation payable	1,192	-	1,192
Decrease in claims payable	-	(11,225)	(11,225)
Increase in due to other governments	22	-	22
Decrease in due to other funds	(70)	-	(70)
Increase (decrease) in deferred revenue	<u>(1,295)</u>	<u>506</u>	<u>(789)</u>
Net cash provided by (used in) operating activities	<u>\$ (126,449)</u>	<u>\$ 2,642</u>	<u>\$ (123,807)</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 1 - DESCRIPTION OF THE DISTRICT

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

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

The District ranks as the 443rd largest by enrollment among the 740 public and community Districts in Ohio and the third largest in Sandusky County. It is staffed by 74 non-certificated employees and 109 certificated full-time teaching personnel, who provide services to 1,215 students and other community members. The District currently operates 5 instructional buildings and 1 garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Educational Computer Association

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

Vanguard-Sentinel Career Center

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

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in a group rating plan for workers' compensation plan as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Program (GRP) was established as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 11.B. for further information on this group rating plan.

B. Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the District's governmental fund types:

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

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

PROPRIETARY FUND TYPES

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the District's proprietary fund types:

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

Enterprise Fund - The enterprise fund is used to account for operations that are (a) financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governmental units, on a cost-reimbursement basis.

FIDUCIARY FUND TYPES

Trust and Agency Funds - These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds include an expendable trust fund and an agency fund. The expendable trust fund is accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund is presented on a budget basis, with note disclosure (see Note 3.C.), regarding items which, in other fund types, would be subject to accrual.

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the District, other than those accounted for in the proprietary or nonexpendable trust funds.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the District except those accounted for in the proprietary or nonexpendable trust funds.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The modified accrual basis of accounting is followed for governmental and expendable trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2003, but which are intended to finance fiscal 2004 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2003, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligations principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as revenue.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2003 is as follows:

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2003.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting and Note 12 provides disclosure of the encumbrances outstanding for enterprise funds at fiscal year-end.

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During 2003, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2003.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

The District assigns all investment earnings to the general fund, except those specifically related to the auxiliary services fund, endowment fund, and the food service fund. Interest revenue credited to the general fund during fiscal 2003 totaled \$38,315 which included \$4,710 assigned from other funds to the District.

For purposes of the statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the Treasurer's investment account at year-end is provided in Note 4.

F. Inventory

Inventories of proprietary funds are stated at the lower of cost or market and cost is determined on a first-in, first-out basis. Inventories consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

G. Prepaids

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the general fixed assets account group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, nor is interest on debt issued to construct or acquire general fixed assets. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed asset account group.

2. Proprietary Funds and Non-Expendable Trust Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Furniture and equipment	5 - 20

I. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable". Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 2003 is presented in Note 5.

J. Compensated Absences

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with ten (10) or more years of service at the District were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments. For governmental funds, the District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

The criteria for determining vacation and sick leave components 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 and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 217 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 62 days for classified and certified employees.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

K. Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than two months after year-end are considered not to have used current available financial resources. Bonds, capital leases, and long-term notes and loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

L. Fund Equity

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, prepayments, tax revenue unavailable for appropriation, capital acquisitions, instructional materials, and BWC refunds. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under Ohio statute.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization and other reserves. These reserves are required by state statute. Reservations of fund balance have also been recorded. See statutory reserves in Note 17.

N. Parochial Schools

Within the District boundaries, St. Mary's Elementary School is operated by the Toledo Catholic Diocese. Current state legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. The receipt and expenditure of these state monies by the District are reflected as special revenue funds for financial reporting purposes.

O. Estimates

The preparation of the GPFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

P. Total Columns on General Purpose Financial Statements

Total columns on the GPFS are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Compliance

1. Contrary to Ohio Revised Code Section 5705.10, the District had negative cash balances as follows:

<u>Governmental Fund Type</u>	<u>Deficit</u>
Special Revenue Funds	
Auxiliary Services	\$ (8,347)
Management Information System	(1,046)
Summer Intervention	(19,572)
Title VI-B	(8,998)
Title I	(4,219)
Goals 2000	(1,443)
Reducing Class Size	(2,897)
Miscellaneous Federal Funds	(333)

For GAAP purposes, these amounts have been reported as fund liabilities of the respective funds.

2. The following funds had appropriations in excess of estimated resources for the fiscal year ended June 30, 2003, in noncompliance with Ohio Revised Code Section 5705.39:

<u>Fund Type</u>	<u>Fund</u>	<u>Excess Amount</u>
Special Revenue	Auxiliary Services	\$ 6,388
Special Revenue	Instructional Programs for Migrant Children	109,950
Special Revenue	Eisenhower Professional Development	4,186
Special Revenue	IDEA Part B	63,211
Special Revenue	Title I	29,536
Special Revenue	Title V	5,719
Special Revenue	Improving Teacher Quality	9,741
Special Revenue	Miscellaneous Federal Grants	289
Capital Projects	One-Net	17,500

**LAKOTA LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

3. The following funds had expenditures in excess of appropriations for the fiscal year ended June 30, 2003, in noncompliance with Ohio Revised Code Section 5705.41(B):

<u>Fund Type</u>	<u>Fund</u>	<u>Excess</u>
Special Revenue	Public School Support	\$1,640
Special Revenue	Auxiliary Services	308
Special Revenue	Management Information Systems	1,045
Special Revenue	Ohio Reads	9,604
Special Revenue	Summer Intervention	19,571
Special Revenue	Drug-Free Schools	3,657
Special Revenue	Continuous Improvement	5,776
Special Revenue	Improving Teacher Quality	3,062
Special Revenue	Miscellaneous Federal Grants	86
Capital Projects	Power Up	943

B. Deficit Fund Balances

The following funds had deficit fund balances at June 30, 2003:

<u>Special Revenue Funds</u>	<u>Deficit Balance</u>
Management Information Systems	\$ 1,070
Auxiliary Services	8,444
Summer Intervention	19,572
Title I	8,370
Title VI	506
Goals 2000	1,443
Reducing Class Size	485
Miscellaneous Federal Grants	371

These funds (except for Title VI) did not comply with Ohio Revised Code (ORC) Section 5705.10 which does not allow for cash basis deficit at year-end. The deficit fund balances are a result of a negative cash balances and accruing wage, benefit and pension obligations in accordance with GAAP. These deficits will be eliminated by anticipated intergovernmental revenues and other resources not recognized at June 30.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The Title VI fund complied with Ohio state law, which does not permit a cash basis deficit at year-end. This deficit balance is caused by accruing wage obligations in accordance with GAAP. This deficit will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

C. General Fixed Asset Beginning Balance Restatement

Restatements occurred due to overstatement in prior years of vehicles:

	General Fixed Assets Account Group
Balance at June 30, 2002	\$7,517,584
Vehicle restatement	<u>(315,682)</u>
Restated Balance at July 1, 2002	<u><u>\$7,201,902</u></u>

D. Agency Fund

The following is an accrual for the agency fund, which, in another fund type, would be recognized in the combined balance sheet:

<u>LIABILITIES</u>	
Accounts payable	\$154

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

**LAKOTA LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**LAKOTA LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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

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

Cash on Hand: At year-end, the District had \$1,220 in undeposited cash on hand which is included on the combined balance sheet as part of "Equity in Pooled Cash and Cash Equivalents", but is not included in the total amount of deposits reported below.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

Deposits: At year-end the carrying amount of the District's deposits was \$6,435 and the bank balance was \$21,317. The entire bank balance was covered by federal depository insurance.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

Investments: GASB Statement No. 3 entitled “Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements”, requires the District’s investments to be categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District’s name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the District’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District’s name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category of Risk 3	Fair Value
Repurchase agreement	\$148,489	\$ 148,489
Not subject to categorization:		
Investment in STAR Ohio Treasurer’s investment pool	-	2,281,302
Total investments	\$148,489	\$2,429,791

The classification of cash, cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 entitled “Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting”.

A reconciliation between the classifications of cash, cash equivalents, and investments on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Equity in Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 2,437,446	\$ -
Investments of the cash management pool:		
Repurchase agreement	(148,489)	148,489
Investment in STAR Ohio	(2,281,302)	2,281,302
Cash on hand	(1,220)	-
GASB Statement No. 3	\$ 6,435	\$2,429,791

**LAKOTA LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2003, which result from quasi-external transactions, consist of the following individual fund receivables and payables:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$46,855	\$ 8,450
<u>Special Revenue Funds</u>		
Auxiliary Services	-	8,347
Management Information Systems	-	1,046
Summer Intervention	-	19,572
Title VI-B	-	8,998
Title I	-	4,219
Goals 2000	-	1,443
Reducing Class Size	-	2,897
Miscellaneous Federal Grants	-	333
<u>Enterprise Fund</u>		
Food Service	-	446
<u>Internal Service Fund</u>		
Dental Self-Insurance	<u>8,896</u>	<u>-</u>
Total	<u>\$55,751</u>	<u>\$55,751</u>

NOTE 6 - PROPERTY TAXES

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

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

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at varying rates of true value.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

The assessed value upon which the 2002 taxes were collected was \$107,813,255. Agricultural/residential and public utility/minerals real estate represented 77.61% or \$83,677,090 of this total; commercial & industrial real estate represented 8.23% or \$8,873,610 of this total, public utility tangible represented 7.72% or \$8,321,700 of this total and general tangible property represented 6.44% or \$6,940,855 of this total. The voted general tax rate at the fiscal year ended June 30, 2003 was \$47.90 per \$1,000.00 of assessed valuation for operations.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Sandusky, Wood, and Seneca Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County as of June 30, 2003 are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 6 - PROPERTY TAXES - (Continued)

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2003, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2003 totaled \$433,043 in the general fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003 consisted of taxes, accounts, amounts due from other funds for services rendered, and intergovernmental grants (to the extent eligibility requirements have been met by year-end). Intergovernmental grants receivable have been presented as "Due From Other Governments" on the combined balance sheet. Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs.

A summary of the items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Property taxes - current and delinquent	\$3,290,097
Due from other funds	46,855
Due from other governments	2,818
<u>Special Revenue Funds</u>	
Accounts	301
Due from other governments	206,210
<u>Enterprise Fund</u>	
Due from other governments	14,452
<u>Internal Service Fund</u>	
Due from other funds	8,896

**LAKOTA LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 8 - FIXED ASSETS

A. A summary of the changes in general fixed assets account group during fiscal year 2003 follows:

	(Restated) Balance at <u>07/01/02</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>06/30/03</u>
Land and improvements	\$ 377,741	\$ -	\$ -	\$ 377,741
Buildings and improvements	3,080,331	-	-	3,080,331
Furniture, fixtures and equipment	1,911,912	148,533	-	2,060,445
Books	665,423	-	-	665,423
Vehicles	<u>1,166,495</u>	<u>157,791</u>	<u>(92,856)</u>	<u>1,231,430</u>
Total general fixed assets	<u>\$7,201,902</u>	<u>\$306,324</u>	<u>\$(92,856)</u>	<u>\$7,415,370</u>

B. A summary of the enterprise fund fixed assets at June 30, 2003, follows:

Furniture and equipment	\$ 161,997
Less accumulated depreciation	<u>(139,142)</u>
Net fixed assets	<u>\$ 22,855</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the District entered into capitalized leases for the acquisition of copiers. During fiscal year 2003, the District entered into a capital lease for the acquisition of copiers. The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

**LAKOTA LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Financial Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust fund. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the general fixed asset account group in the amount of \$109,278, which is equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in the 2003 fiscal year totaled \$16,444. This amount is reflected as debt service principal retirement in the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2003.

General Long-Term Obligations

<u>Year Ending June 30</u>	<u>Copiers</u>
2004	\$ 26,559
2005	26,556
2006	26,559
2007	26,556
2008	<u>6,638</u>
Total future minimum lease payments	112,868
Less: amount representing interest	<u>(17,452)</u>
Present value of future minimum lease payments	<u>\$ 95,416</u>

**LAKOTA LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 10 - LONG-TERM OBLIGATIONS

- A. During the year ended June 30, 2003, the following changes occurred in liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligation payable will be paid from the fund from which the employees' salaries are paid. Compensated absences are reported net of actual increases and decreases due to the impracticality of determining these values.

	<u>Balance</u> <u>07/01/02</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/03</u>
Capital lease obligation	\$ 2,582	\$109,278	\$(16,444)	\$ 95,416
Pension obligation payable	72,796	85,977	(72,796)	85,977
Compensated absences	<u>527,316</u>	<u>47,868</u>	<u>-</u>	<u>575,184</u>
Total general long-term obligations	<u>\$602,694</u>	<u>\$243,123</u>	<u>\$(89,240)</u>	<u>\$756,577</u>

- B. The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code further provides that unvoted indebtedness for energy conservation measures shall not exceed 9/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2003 are a voted debt margin of \$9,703,193 an unvoted debt margin of \$107,813.

**LAKOTA LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 11 - RISK MANAGEMENT

A. Comprehensive Insurance

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the District contracted with Ohio School Plan for fleet insurance and liability insurance, and with Indiana Insurance Company for property, inland marine and crime coverage. Coverages provided by these companies are as follows:

Building and contents - replacement cost (\$25,000 deductible)	\$30,690,198
Inland marine coverage (\$250 deductible)	680,000
Crime insurance	100,000
Automobile liability (\$250 deductible)	1,000,000
Uninsured motorists (\$250 deductible)	1,000,000
General liability	
Per occurrence	1,000,000
Total per year	3,000,000

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

B. Workers' Compensation

For fiscal year 2003, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 11 - RISK MANAGEMENT - (Continued)

C. Self-Insurance

Dental insurance is offered to employees through a self-insured program. All funds of the District participate in the program and make payments to the dental self-insurance Internal Service fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims. The monthly premiums for dental are \$19.43 for single coverage and \$44.42 for family coverage. The dental self-insurance fund provides coverage of up to a maximum of \$1,500 per individual per year. The District utilizes a third party administrator, Ohio Benefits Group, to review all claims, which are then paid by the District. There is no stop-loss coverage. Settled claims have not exceeded self-insured coverage since the inception of this program.

The claims liability of \$8,972 reported in the internal service fund at June 30, 2003 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity during fiscal 2003 and the two previous fiscal years are as follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2003	\$20,197	\$48,327	\$(59,552)	\$ 8,972
2002	5,798	78,044	(63,645)	20,197
2001	3,105	67,395	(64,702)	5,798

NOTE 12 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains one enterprise fund, which provides lunchroom/cafeteria services; therefore, segment information for the year ended June 30, 2003, is not presented. The enterprise fund had \$5,950 of encumbrances outstanding at June 30, 2003.

**LAKOTA LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$103,286, \$195,345, and \$215,428, respectively; 48.74% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$52,942, represents the unpaid contribution for fiscal year 2003.

**LAKOTA LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 13% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 9.5% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$472,547, \$475,917, and \$657,917, respectively; 86.17% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$65,344, represents the unpaid contribution for fiscal year 2003.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2003, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

**LAKOTA LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 14 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$36,350 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

**LAKOTA LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182.947 million and the target level was \$274.4 million. At June 30, 2002, (the latest information available) SERS had net assets available for payment of health care benefits of \$335.2 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$100,383 during the 2003 fiscal year.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Comparison (Non-GAAP Budgetary Basis) - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

**Excess (Deficiency) of Revenues and Other Financing
Sources Over/(Under) Expenditures and Other
Financing Sources/(Uses)**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Budget basis	\$(561,498)	\$(132,094)	\$(42,302)
Net adjustment for revenue accruals	4,718	(24,079)	-
Net adjustment for expenditure accruals	(132,110)	(51,501)	(943)
Net adjustment for other financing sources	105,557	3,450	-
Encumbrances	<u>424,217</u>	<u>34,287</u>	<u>294</u>
GAAP basis	<u>\$(159,116)</u>	<u>\$(169,937)</u>	<u>\$(42,951)</u>

NOTE 16 - CONTINGENCIES

A. Grants

The 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 District at June 30, 2003.

B. Litigation

The District is not involved in litigation as either a plaintiff or defendant.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 16 - CONTINGENCIES - (Continued)

C. School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...".

The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

NOTE 17 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2003, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside cash balance as of June 30, 2002	\$ 154,792	\$ -	\$47,190
Current year set-aside requirement	150,154	150,154	-
Qualifying disbursements	<u>(122,619)</u>	<u>(41,408)</u>	<u>-</u>
Total	<u>\$ 182,327</u>	<u>\$108,746</u>	<u>\$47,190</u>
Cash balance carried forward to FY 2004	<u>\$ 182,327</u>	<u>\$108,746</u>	<u>\$47,190</u>

Monies representing BWC refunds that were received prior to April 10, 2002, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by state statute.

A schedule of the restricted assets at June 30, 2003 follows:

Amount restricted for BWC refunds	\$ 47,190
Amount restricted for capital acquisition	108,746
Amount restricted for textbooks	<u>182,327</u>
Total restricted assets	<u>\$338,263</u>

SUPPLEMENTAL DATA

LAKOTA LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Cluster:						
(A), (B) Food Distribution	10.550	N/A	\$ -	\$ 41,143	\$ -	\$ 41,143
(A), (C) School Breakfast Program	10.553	049569-05-PU-2002	1,507		1,507	
(A), (C) National School Lunch	10.555	049569-LL-P4-2002	32,265		32,265	
(A), (C) National School Lunch	10.555	049569-LL-P4-2003	86,988		86,988	
Total U.S. Department of Agriculture and Nutrition Cluste			<u>120,760</u>	<u>41,143</u>	<u>120,760</u>	<u>41,143</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I - Grants to Local Educational Agencies	84.010	049569-C1-S1-2002	2,192		2,243	
Title I - Grants to Local Educational Agencies	84.010	049569-C1-S1-2003	121,464		125,664	
Total Title I			<u>123,656</u>		<u>127,907</u>	
Migrant Education State Grant Program	84.011	049569-MG-S1-2000	-		96	
Migrant Education State Grant Program	84.011	049569-MG-S1-2001	8,759		16,032	
Migrant Education State Grant Program	84.011	049569-MG-S1-2002	61,515		92,867	
Migrant Education State Grant Program	84.011	049569-MG-S1-2003	40,877		383	
Total Migrant Education			<u>111,151</u>		<u>109,378</u>	
Title VI-B - Education of the Handicapped Act	84.027	049569-6B-SF-2002-P	-		13,829	
Title VI-B - Education of the Handicapped Act	84.027	049569-6B-SF-2003-P	136,376		143,567	
Total Title VI-B			<u>136,376</u>		<u>157,396</u>	
Safe and Drug-Free Schools	84.186	049569-DR-S1-2002	760		1,248	
Safe and Drug-Free Schools	84.186	049569-DR-S1-2003	3,051		2,721	
Total Safe and Drug-Free Schools			<u>3,811</u>		<u>3,969</u>	
Goals 2000	84.276	049569-G2-S3-2000	-		7,010	
Eisenhower Professional Development	84.281	049569-MS-S1-2002	665		1,230	
Title VI - Innovative Education Program Strategies	84.298	049569-C2-S1-2002	(211)		3,514	
Title VI - Innovative Education Program Strategies	84.298	049569-C2-S1-2003	2,954		2,646	
Total Title VI			<u>2,743</u>		<u>6,160</u>	
Title II - Technology Literacy Challenge	84.318	049569-TJ-S1-2003	676		-	
Title VI-R - Class Size Reduction	84.340	049569-CR-S1-2002	-		8,223	
(E) School Renovation, IDEA and Technology	84.352A	049569-AT-S3-2002	2,996		4,006	
Title II-A - Improving Teacher Quality	84.367	049569-TR-S1-2003	44,148		47,035	
Total U.S. Department of Education			<u>426,222</u>		<u>472,314</u>	
Total Federal Financial Assistance			<u>\$ 546,982</u>	<u>\$ 41,143</u>	<u>\$ 593,074</u>	<u>\$ 41,143</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.
(B) The Food Distribution Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
(C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
(D) This schedule was prepared on the cash basis of accounting.
(E) This grant originates with the U.S. Department of Education and is passed through the Ohio Department of Education and then through the Ohio School Facilities Commission. The Ohio School Facilities Commission then passes it onto the District.

TRIMBLE, JULIAN & GRUBE, INC.

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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Education
Lakota Local School District
365 Union Street
Risingsun, Ohio 43457-0005

We have audited the general purpose financial statements of Lakota Local School District as of and for the fiscal year ended June 30, 2003, and have issued our report thereon dated October 29, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Lakota Local School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-LLSD-001, 2003-LLSD-002 and 2003-LLSD-003. We also noted certain immaterial instances of noncompliance that we have reported to management of Lakota Local School District in a separate letter dated October 29, 2003.

Board of Education
Lakota Local School District

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lakota Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Lakota Local School District in a separate letter dated October 29, 2003.

This report is intended for the information of the Board and management of the Lakota Local School District, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.
October 29, 2003

TRIMBLE, JULIAN & GRUBE, INC.

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Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With *OMB Circular A-133*

Board of Education
Lakota Local School District
365 Union Street
Risingsun, Ohio 43457-0005

Compliance

We have audited the compliance of Lakota Local School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each major federal program for the fiscal year ended June 30, 2003. Lakota Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each major federal program is the responsibility of Lakota Local School District's management. Our responsibility is to express an opinion on Lakota Local School District's compliance based on our audit.

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

Board of Education
Lakota Local School District

In our opinion, Lakota Local School District complied, in all material respects, with the requirements referred to above that are applicable to each major federal program for the fiscal year ended June 30, 2003.

Internal Control Over Compliance

The management of Lakota Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lakota Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over compliance, which we have reported to the management of Lakota Local School District in a separate letter dated October 29, 2003.

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

Trimble, Julian & Grube, Inc.
October 29, 2003

**LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO
JUNE 30, 2003**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs:</i>	Title VI-B, CFDA # 84.027; Title VI-R, CFDA #84.340
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

**LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO
JUNE 30, 2003**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

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

Finding Number	2003-LLSD - 001
----------------	-----------------

Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed estimated resources.

It was noted during the audit that the total appropriations exceeded the total estimated resources in the following funds:

<u>Fund Type</u>	<u>Fund</u>	<u>Excess Amount</u>
Special Revenue	Auxiliary Services	\$ 6,388
Special Revenue	Instructional Programs for Migrant Children	109,950
Special Revenue	Eisenhower Professional Development	4,186
Special Revenue	IDEA Part B	63,211
Special Revenue	Title I	29,536
Special Revenue	Title V	5,719
Special Revenue	Improving Teacher Quality	9,741
Special Revenue	Miscellaneous Federal Grants	289
Capital Projects	One-Net	17,500

With appropriations exceeding estimated resources the District may spend more funds than in the Treasury or process of collection and cause fund deficits.

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations versus estimated resources records and amending the budget prior to year end. If it is determined that estimated resources will be greater than initially anticipated, the District should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources. In addition, the District should monitor its budgetary process on a regular basis.

**LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO
JUNE 30, 2003**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

**2. FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL
STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS -
(Continued)**

Finding Number	2003-LLSD-002
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Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

It was noted during the audit that the District had expenditures exceeding appropriations in the following funds:

<u>Fund Type</u>	<u>Fund</u>	<u>Excess</u>
Special Revenue	Public School Support	\$ 1,640
Special Revenue	Auxiliary Services	308
Special Revenue	Management Information Systems	1,045
Special Revenue	Ohio Reads	9,604
Special Revenue	Summer Intervention	19,571
Special Revenue	Drug-Free Schools	3,657
Special Revenue	Continuous Improvement	5,776
Special Revenue	Improving Teacher Quality	3,062
Special Revenue	Miscellaneous Federal Grants	86
Capital Projects	Power Up	943

With expenditures exceeding appropriations, the District is unlawfully expending monies that have not been appropriated. This could result in unnecessary purchases or fund deficits.

We recommend that the District comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the budget throughout the fiscal year. This may be achieved by monitoring the budget more closely on a continual basis.

**LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO
JUNE 30, 2003**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

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

Finding Number	2003-LLSD-003
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Ohio Revised Code Section 5705.10 in part requires that money paid into any fund shall be expended only after such fund receives monies.

It was noted during the audit that at June 30, 2003, the District maintained negative cash fund balances in the following funds.

<u>Governmental Fund Type</u>	<u>Deficit</u>
Special Revenue Funds	
Auxiliary Services	\$ (8,347)
Management Information System	(1,046)
Summer Intervention	(19,572)
Title VI-B	(8,998)
Title I	(4,219)
Goals 2000	(1,443)
Reducing Class Size	(2,897)
Miscellaneous Federal Funds	(333)

The District has spent monies not available to that fund and thus causing noncompliance. No fund should have a negative cash fund balance throughout the year or at year end. This causes funds to spend other funds balances.

We recommend that the District properly expend monies only after funds have been received and subsequent to proper appropriation. If funds are anticipated, but not yet received and expenditures are necessary, the District should advance or transfer funds from the General Fund with proper Board approval.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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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
JANUARY 20, 2004**