

**LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY**

AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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



Dave Yost • Auditor of State

Board of Education
Lakota Local School District
365 Union Street
P O Box 5
Risingsun, Ohio 43457

We have reviewed the *Independent Auditor's Report* of the Lakota Local School District, Sandusky County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

February 24, 2011

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**LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

Certified Public Accountants

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Education
Lakota Local School District
Risingsun, Ohio

The Honorable Mary Taylor
Auditor of State
State of Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lakota Local School District, Sandusky County, Ohio, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lakota Local School District, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

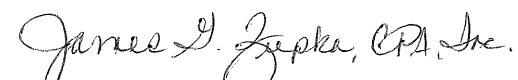
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lakota Local School District, Ohio, as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the 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 December 21, 2010, on our consideration of the Lakota Local School District, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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


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

December 21, 2010

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

The management's discussion and analysis of the Lakota Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- In total, net assets of governmental activities increased \$1,477,038 which represents a 7.73% increase from 2009.
- General revenues accounted for \$11,506,629 in revenue or 84.26% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,148,671 or 15.74% of total revenues of \$13,655,300.
- The District had \$12,673,508 in expenses related to governmental activities; \$2,148,671 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$11,506,629 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, building fund, and classroom facilities fund. The general fund had \$10,712,544 in revenues, \$10,309,791 in expenditures and other financing uses and \$495,246 in extraordinary items. During fiscal year 2010, the general fund's fund balance increased \$897,999 from \$210,597 to \$1,108,596.
- The District's building fund had \$38,908 in revenues and \$174,120 in expenditures. During fiscal year 2010, the building fund's fund balance decreased \$135,212 from \$7,311,769 to \$7,176,557.
- The District's classroom facilities fund had \$9,265,005 in revenues and \$14,892,425 in expenditures. During fiscal year 2010, the classroom facilities fund's fund balance decreased \$5,627,420 from \$17,036,663 to \$11,409,243.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, building fund, and classroom facilities fund are by far the most significant funds, and the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, building fund, and classroom facilities fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for medical and dental self-insurance. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 23 and 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-53 of this report.

The District as a Whole

Recall that the statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets at June 30, 2010 and June 30, 2009.

	Net Assets	
	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
<u>Assets</u>		
Current and other assets	\$ 27,569,455	\$ 40,884,443
Capital assets, net	<u>18,601,550</u>	<u>3,630,074</u>
Total assets	<u>46,171,005</u>	<u>44,514,517</u>
<u>Liabilities</u>		
Current liabilities	4,975,589	4,497,788
Long-term liabilities	<u>20,618,398</u>	<u>20,916,749</u>
Total liabilities	<u>25,593,987</u>	<u>25,414,537</u>
<u>Net assets</u>		
Invested in capital assets, net of related debt	3,357,466	2,722,844
Restricted	21,179,861	16,502,200
Unrestricted (deficit)	<u>(3,960,309)</u>	<u>(125,064)</u>
Total net assets	<u>\$ 20,577,018</u>	<u>\$ 19,099,980</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$20,577,018.

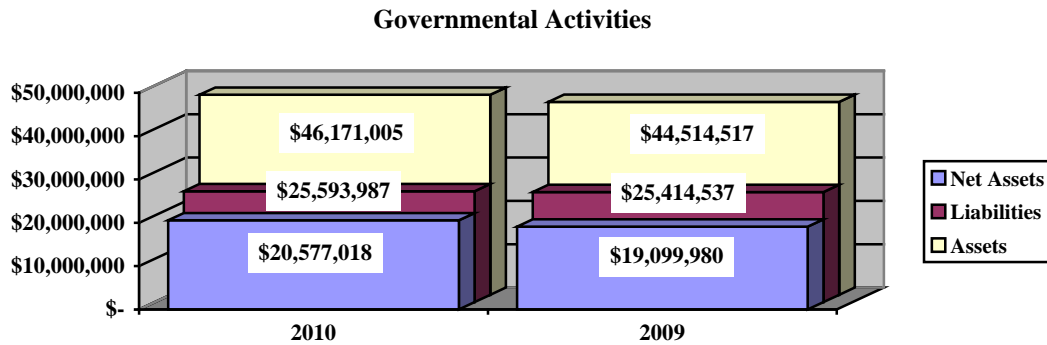
**LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

At fiscal year-end, capital assets represented 40.29% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2010, were \$3,357,466. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$21,179,861, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$3,960,309.

The graph below presents the District's governmental net assets at June 30, 2010 and June 30, 2009.



The table below shows the change in net assets for fiscal years 2010 and 2009.

Change in Net Assets

	Governmental Activities 2010	Governmental Activities 2009
Revenues		
Program revenues:		
Charges for services and sales	\$ 610,015	\$ 587,973
Operating grants and contributions	1,503,430	1,485,228
Capital grants and contributions	35,226	22,251
General revenues:		
Property taxes	3,852,848	2,797,839
School district income tax	1,702,963	1,962,627
Grants and entitlements not restricted	5,792,343	5,387,414
Investment earnings	116,396	441,528
Other	42,079	43,678
Total revenues	13,655,300	12,728,538

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

Change in Net Assets

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 5,134,105	\$ 5,025,428
Special	1,824,213	1,570,608
Vocational	22,262	6,234
Other	23,476	31,270
Support services:		
Pupil	637,773	633,888
Instructional staff	364,759	373,450
Board of education	21,257	25,067
Administration	861,538	871,060
Fiscal	225,507	245,168
Business	225,583	193,087
Operations and maintenance	883,602	894,258
Pupil transportation	743,996	779,186
Central	60,468	58,450
Operations of non-instructional services:		
Food service operations	455,412	494,592
Other non-instructional services	1,722	-
Extracurricular activities	340,912	362,493
Interest and fiscal charges	<u>846,923</u>	<u>634,526</u>
Total expenses	<u>12,673,508</u>	<u>12,198,765</u>
<u>Extraordinary item</u>		
Settlement revenue	<u>495,246</u>	<u>-</u>
Change in net assets	1,477,038	529,773
Net assets at beginning of year	<u>19,099,980</u>	<u>18,570,207</u>
Net assets at end of year	<u>\$ 20,577,018</u>	<u>\$ 19,099,980</u>

Governmental Activities

Net assets of the District's governmental activities increased \$1,477,038. Total governmental expenses of \$12,673,508 were offset by program revenues of \$2,148,671, general revenues of \$11,506,629 and an extraordinary item of \$495,246. Program revenues supported 16.95% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, school district income tax and grants and entitlements. These revenue sources represent 84.26% of total governmental revenue.

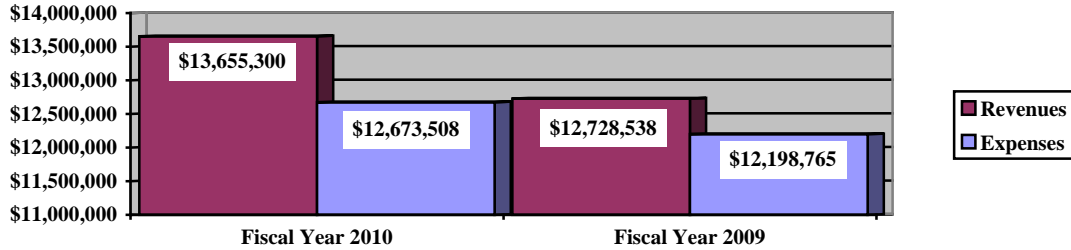
The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,004,056 or 55.27% of total governmental expenses for fiscal year 2010.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2010 and 2009.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

Governmental Activities

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Program expenses				
Instruction:				
Regular	\$ 5,134,105	\$ 4,559,581	\$ 5,025,428	\$ 4,673,929
Special	1,824,213	1,217,371	1,570,608	700,068
Vocational	22,262	11,666	6,234	(4,283)
Other	23,476	(94,018)	31,270	25,056
Support services:				
Pupil	637,773	629,183	633,888	625,036
Instructional staff	364,759	231,853	373,450	231,924
Board of education	21,257	21,257	25,067	25,067
Administration	861,538	819,576	871,060	794,464
Fiscal	225,507	225,507	245,168	245,168
Business	225,583	225,583	193,087	193,087
Operations and maintenance	883,602	813,075	894,258	888,033
Pupil transportation	743,996	719,378	779,186	722,976
Central	60,468	51,323	58,450	43,450
Operations of non-instructional services:				
Food service operations	455,412	(15,765)	494,592	23,720
Other non-instructional services	1,722	336	-	-
Extracurricular activities	340,912	262,008	362,493	281,092
Interest and fiscal charges	846,923	846,923	634,526	634,526
Total expenses	<u>\$ 12,673,508</u>	<u>\$ 10,524,837</u>	<u>\$ 12,198,765</u>	<u>\$ 10,103,313</u>

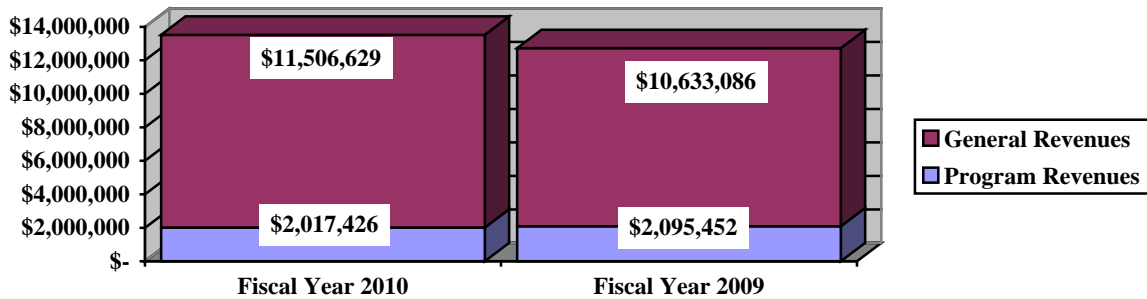
**LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 81.30% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 83.05%.

The graph below presents the District's governmental activities revenue for fiscal years 2010 and 2009.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$20,668,921, which is lower than last year's balance of \$25,134,222. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and June 30, 2009.

	Fund Balance <u>June 30, 2010</u>	Fund Balance <u>June 30, 2009</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 1,108,596	\$ 210,597	\$ 897,999	426.41 %
Building	7,176,557	7,311,769	(135,212)	(1.85) %
Classroom facilities	11,409,243	17,036,663	(5,627,420)	(33.03) %
Other governmental	<u>974,525</u>	<u>575,193</u>	<u>399,332</u>	69.43 %
Total	<u>\$ 20,668,921</u>	<u>\$ 25,134,222</u>	<u>\$ (4,465,301)</u>	(17.77) %

General Fund

The District's general fund balance increased \$897,999. The increase in fund balance can be attributed to the additional revenue of \$495,246 the District received in relation to the Sandusky County Educational Service Center settlement.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 4,609,429	\$ 3,983,498	\$ 625,931	15.71 %
Tuition	302,682	295,031	7,651	2.59 %
Earnings on investments	10,577	109,037	(98,460)	(90.30) %
Intergovernmental	5,747,777	5,737,979	9,798	0.17 %
Other revenues	<u>42,079</u>	<u>39,070</u>	<u>3,009</u>	7.70 %
Total	<u>\$ 10,712,544</u>	<u>\$ 10,164,615</u>	<u>\$ 547,929</u>	5.39 %
<u>Expenditures</u>				
Instruction	\$ 6,088,951	\$ 6,045,054	\$ 43,897	0.73 %
Support services	3,649,393	3,632,865	16,528	0.45 %
Extracurricular activities	206,108	229,179	(23,071)	(10.07) %
Debt service	<u>-</u>	<u>49,194</u>	<u>(49,194)</u>	(100.00) %
Total	<u>\$ 9,944,452</u>	<u>\$ 9,956,292</u>	<u>\$ (11,840)</u>	(0.12) %

Tax revenues increased \$625,931 or 15.71%. This increase can be attributed to larger amount of taxes collected by the County Auditors which was available as an advance at fiscal year end. These amounts available for advance at year end are recorded as revenue and can vary depending upon when tax bills are sent out by the County Auditors (see Note 6). Earnings on investments decreased \$98,460 or 90.30% due to a decline in interest rates as well as the amount of money available to invest.

Overall, general fund expenditures remained comparable to the prior year with the exception of debt service expenditures which was used to make payments on capital leases. During fiscal year 2009, the final payment was made on the capital leases leaving no outstanding balance.

Building Fund

The District's building fund had \$38,908 in revenues and \$174,120 in expenditures. During fiscal year 2010, the building fund's fund balance decreased \$135,212 from \$7,311,769 to \$7,176,557.

Classroom Facilities Fund

The District's classroom facilities fund had \$9,265,005 in revenues and \$14,892,425 in expenditures. During fiscal year 2010, the classroom facilities fund's fund balance decreased \$5,627,420 from \$17,036,663 to \$11,409,243.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2010, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$10,063,889 and final budgeted revenues and other financing sources were \$10,374,820. Actual revenues and other financing sources for fiscal year 2010 was \$10,820,378. This was \$445,558 higher than the final budgeted revenues.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

General fund original appropriations were 10,056,466 and final appropriations were \$10,956,466. The actual budget basis expenditures for fiscal year 2010 totaled \$10,168,690, which was \$787,776 lower than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the District had \$18,601,550 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The table that follows shows June 30, 2010 balances compared to June 30, 2009:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2010	2009
Land	\$ 450,809	\$ 450,809
Construction in progress	16,907,024	1,913,629
Land improvements	71,321	-
Building and improvements	695,202	756,992
Furniture and equipment	198,105	210,590
Vehicles	279,089	298,054
Total	<u>\$ 18,601,550</u>	<u>\$ 3,630,074</u>

The overall increase in capital assets of \$14,971,476 is due to capital outlays of \$15,174,966 exceeding depreciation expense of \$203,490.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2010, the District had \$18,465,000 in current interest bonds, \$499,984 in capital appreciation bonds, and \$240,562 in accreted interest on the capital appreciation bonds outstanding. Of this total, \$575,000 is due within one year and \$18,630,546 is due in more than one year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
Current interest bonds	\$ 18,465,000	\$ 18,980,000
Capital appreciation bonds	499,984	499,984
Accreted interest	<u>240,562</u>	<u>123,914</u>
Total	<u>\$ 19,205,546</u>	<u>\$ 19,603,898</u>

At June 30, 2010, the District had no remaining voted debt margin, and an unvoted debt margin of \$136,383.

See Note 9 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The District currently operates on a 1.5% income tax levy (1% operating and 0.5% for OSFC project) and is at the 20 mill floor for property tax. The District has one permanent improvement fund at this time. In November 2007 voters approved a Combination Levy, 6.5 mills property tax and .5% Income Tax, for the construction of a new Pre-K through 12 school building. This issue is through the Ohio School Facilities Commission's Exceptional Needs Program. The building project has an estimated cost of \$36,400,000. The Ohio School Facilities Commission will provide \$16,778,295 with the balance of \$19,628,000 being paid by the District with the proceeds of the Combination Levy.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Jennifer Hedrick, Treasurer, Lakota Local School District, 356 Union Street, P.O. Box 5, Risingsun, Ohio 43457.

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

STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 4,586,108
Investments.	16,904,966
Receivables:	
Property taxes	3,209,661
Income taxes.	609,953
Accounts.	5,035
Accrued interest	69,306
Intergovernmental	1,762,252
Prepayments	36,057
Materials and supplies inventory.	2,237
Unamortized bond issue costs	383,880
Capital assets:	
Land	450,809
Construction in progress	16,907,024
Depreciable capital assets, net.	1,243,717
Capital assets, net	18,601,550
 Total assets.	 46,171,005
 Liabilities:	
Accounts payable.	25,656
Contracts payable.	1,017,120
Accrued wages and benefits	984,361
Pension obligation payable.	296,437
Intergovernmental payable	171,472
Unearned revenue	2,022,013
Accrued interest payable	334,892
Claims payable.	123,638
Long-term liabilities:	
Due within one year.	685,589
Due in more than one year	19,932,809
 Total liabilities	 25,593,987
 Net Assets:	
Invested in capital assets, net of related debt.	3,357,466
Restricted for:	
Capital projects	20,372,930
Classroom facilities maintenance	110,890
Debt service.	49,802
Locally funded programs	66,704
State funded programs.	60,864
Federally funded programs	414,898
Public school support	23,056
Student activities	5,418
Other purposes	75,299
Unrestricted (deficit)	(3,960,309)
 Total net assets	 \$ 20,577,018

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 5,134,105	\$ 297,132	\$ 277,392	\$ -	\$ (4,559,581)
Special	1,824,213	5,550	601,292	-	(1,217,371)
Vocational	22,262	-	10,596	-	(11,666)
Other	23,476	-	117,494	-	94,018
Support services:					
Pupil	637,773	-	8,590	-	(629,183)
Instructional staff	364,759	-	132,906	-	(231,853)
Board of education	21,257	-	-	-	(21,257)
Administration	861,538	19,306	22,656	-	(819,576)
Fiscal	225,507	-	-	-	(225,507)
Business	225,583	-	-	-	(225,583)
Operations and maintenance	883,602	-	35,301	35,226	(813,075)
Pupil transportation	743,996	-	24,618	-	(719,378)
Central	60,468	-	9,145	-	(51,323)
Operation of non-instructional services:					
Food service operations	455,412	209,655	261,522	-	15,765
Other non-instructional services	1,722	-	1,386	-	(336)
Extracurricular activities	340,912	78,372	532	-	(262,008)
Interest and fiscal charges	846,923	-	-	-	(846,923)
Total governmental activities	\$ 12,673,508	\$ 610,015	\$ 1,503,430	\$ 35,226	(10,524,837)
General Revenues:					
Property taxes levied for:					
General purposes					2,948,189
Debt service					904,659
School district income tax					1,702,963
Grants and entitlements not restricted to specific programs					5,792,343
Investment earnings					116,396
Miscellaneous					42,079
Total general revenues					11,506,629
Extraordinary item:					
Settlement revenue					495,246
Total general revenues and extraordinary item					12,001,875
Change in net assets					1,477,038
Net assets at beginning of year					19,099,980
Net assets at end of year					\$ 20,577,018

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 859,945	\$ 978,873	\$ 1,715,341	\$ 960,463	\$ 4,514,622
Investments	-	6,212,343	10,692,623	-	16,904,966
Receivables:					
Property taxes	2,474,592	-	-	735,069	3,209,661
Income taxes	609,953	-	-	-	609,953
Accounts	3,320	-	-	1,715	5,035
Intergovernmental	7,540	-	1,537,512	217,200	1,762,252
Accrued interest	870	25,149	43,287	-	69,306
Loans to other funds	5,000	-	-	-	5,000
Prepayments	36,057	-	-	-	36,057
Materials and supplies inventory	-	-	-	2,237	2,237
Restricted assets:					
Equity in pooled cash and cash equivalents	71,486	-	-	-	71,486
Total assets	<u>\$ 4,068,763</u>	<u>\$ 7,216,365</u>	<u>\$ 13,988,763</u>	<u>\$ 1,916,684</u>	<u>\$ 27,190,575</u>
Liabilities:					
Accounts payable	\$ 21,511	\$ -	\$ -	\$ 4,145	\$ 25,656
Contracts payable	-	16,033	1,001,087	-	1,017,120
Accrued wages and benefits	868,589	-	-	115,772	984,361
Compensated absences payable	91,153	-	-	-	91,153
Pension obligation payable	226,137	-	-	70,300	296,437
Intergovernmental payable	43,279	-	-	2,332	45,611
Loans from other funds	-	-	-	5,000	5,000
Unearned revenue	1,509,797	-	-	512,216	2,022,013
Deferred revenue	199,701	23,775	1,578,433	232,394	2,034,303
Total liabilities	<u>2,960,167</u>	<u>39,808</u>	<u>2,579,520</u>	<u>942,159</u>	<u>6,521,654</u>
Fund Balances:					
Reserved for encumbrances	23,202	-	3,549,745	13,877	3,586,824
Reserved for materials and supplies inventory	-	-	-	2,237	2,237
Reserved for prepayments	36,057	-	-	-	36,057
Reserved for property tax unavailable for appropriation	772,415	-	-	230,190	1,002,605
Reserved for loans	5,000	-	-	-	5,000
Reserved for debt service	-	-	-	97,173	97,173
Reserved for textbooks	71,486	-	-	-	71,486
Unreserved, undesignated, reported in:					
General fund	200,436	-	-	-	200,436
Special revenue funds	-	-	-	446,126	446,126
Capital projects funds	-	7,176,557	7,859,498	184,922	15,220,977
Total fund balances	<u>1,108,596</u>	<u>7,176,557</u>	<u>11,409,243</u>	<u>974,525</u>	<u>20,668,921</u>
Total liabilities and fund balances	<u>\$ 4,068,763</u>	<u>\$ 7,216,365</u>	<u>\$ 13,988,763</u>	<u>\$ 1,916,684</u>	<u>\$ 27,190,575</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2010

Total governmental fund balances		\$	20,668,921
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			18,601,550
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	249,492	
Intergovernmental receivable		1,720,115	
Accrued interest receivable		64,696	
Total			2,034,303
Unamortized bond issuance costs are not recognized in the funds.			383,880
Unamortized premiums on bond issuances are not recognized in the funds.			(692,539)
An internal service fund is used by management to charge the costs of medical and dental insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.			(249,499)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(629,160)	
General obligation bonds payable		(19,205,546)	
Accrued interest payable		(334,892)	
Total			(20,169,598)
Net assets of governmental activities		\$	20,577,018

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General	Building	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Property taxes	\$ 2,906,466	\$ -	\$ -	\$ 884,416	\$ 3,790,882
Income taxes	1,702,963	-	-	-	1,702,963
Tuition	302,682	-	-	-	302,682
Earnings on investments	10,577	38,908	66,344	2,087	117,916
Charges for services	-	-	-	209,655	209,655
Extracurricular	-	-	-	73,929	73,929
Contributions and donations	-	-	-	15,226	15,226
Other local revenues	42,079	-	-	54,402	96,481
Intergovernmental - intermediate	149,720	-	-	20,000	169,720
Intergovernmental - state	5,598,057	-	9,198,661	132,848	14,929,566
Intergovernmental - federal	-	-	-	1,438,533	1,438,533
Total revenues	10,712,544	38,908	9,265,005	2,831,096	22,847,553
Expenditures:					
Current:					
Instruction:					
Regular	4,885,986	-	-	75,777	4,961,763
Special	1,166,665	-	-	621,000	1,787,665
Vocational	22,262	-	-	-	22,262
Other	14,038	-	-	9,133	23,171
Support services:					
Pupil	624,029	-	-	8,764	632,793
Instructional staff	213,422	-	-	151,743	365,165
Board of education	21,257	-	-	-	21,257
Administration	794,897	-	-	45,767	840,664
Fiscal	219,345	-	-	-	219,345
Business	212,239	-	-	13,344	225,583
Operations and maintenance	809,995	-	-	31,770	841,765
Pupil transportation	694,614	-	-	12,354	706,968
Central	59,595	-	-	1,145	60,740
Operation of non-instructional services:					
Food service operations	-	-	-	447,997	447,997
Other non-instructional services	-	-	-	1,722	1,722
Extracurricular activities	206,108	-	-	82,963	289,071
Facilities acquisition and construction	-	174,120	14,892,425	9,110	15,075,655
Debt service:					
Principal retirement	-	-	-	515,000	515,000
Interest and fiscal charges	-	-	-	752,959	752,959
Total expenditures	9,944,452	174,120	14,892,425	2,780,548	27,791,545
Excess (deficiency) of revenues over (under)expenditures	768,092	(135,212)	(5,627,420)	50,548	(4,943,992)
Other financing sources (uses):					
Transfers in	-	-	-	348,784	348,784
Transfers (out)	(365,339)	-	-	-	(365,339)
Total other financing sources (uses)	(365,339)	-	-	348,784	(16,555)
Extraordinary item:					
Settlement revenue	495,246	-	-	-	495,246
Total extraordinary item	495,246	-	-	-	495,246
Net change in fund balances	897,999	(135,212)	(5,627,420)	399,332	(4,465,301)
Fund balances at beginning of year	210,597	7,311,769	17,036,663	575,193	25,134,222
Fund balances at end of year	\$ 1,108,596	\$ 7,176,557	\$ 11,409,243	\$ 974,525	\$ 20,668,921

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds \$ (4,465,301)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Capital outlays exceeded depreciation expense in the current period accordingly.

Capital asset additions	\$	15,174,966	
Current year depreciation		(203,490)	
Total			14,971,476

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent property taxes		61,966	
Intergovernmental revenue		(9,247,246)	
Earnings on investment		567	
Total			(9,184,713)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 515,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported on the statement of activities:

Decrease in accrued interest payable		7,893	
Accretion of interest on "capital appreciation" bonds		(116,648)	
Amortization of bond and note premiums		31,191	
Amortization of bond and note issue costs		(16,400)	
Total			(93,964)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (48,845)

The internal service fund used by management to charge the costs of medical and dental insurance to individual funds is not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (216,615)

Change in net assets of governmental activities \$ 1,477,038

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 2,277,682	\$ 2,351,699	\$ 2,457,764	\$ 106,065
Income taxes	1,597,927	1,649,854	1,724,265	74,411
Tuition	280,504	289,620	302,682	13,062
Earnings on investments	15,027	15,515	16,215	700
Other local revenues	39,404	40,684	42,519	1,835
Intergovernmental - intermediate	138,750	143,259	149,720	6,461
Intergovernmental - state	5,218,810	5,388,404	5,631,428	243,024
Total revenues	<u>9,568,104</u>	<u>9,879,035</u>	<u>10,324,593</u>	<u>445,558</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,902,968	5,514,192	4,822,861	691,331
Special	1,087,385	1,189,969	1,145,312	44,657
Vocational	15,592	15,886	10,854	5,032
Other	29,762	32,769	14,289	18,480
Support services:				
Pupil	638,435	648,146	624,678	23,468
Instructional staff	228,964	233,286	211,847	21,439
Board of education	24,480	32,074	21,260	10,814
Administration	802,957	820,037	787,396	32,641
Fiscal	197,836	206,665	214,913	(8,248)
Business	248,863	258,655	131,475	127,180
Operations and maintenance	907,758	933,505	854,581	78,924
Pupil transportation	687,548	775,891	694,584	81,307
Central	54,174	61,310	62,811	(1,501)
Extracurricular activities	229,744	234,081	206,490	27,591
Total expenditures	<u>10,056,466</u>	<u>10,956,466</u>	<u>9,803,351</u>	<u>1,153,115</u>
Excess (deficiency) of revenues over (under)expenditures	<u>(488,362)</u>	<u>(1,077,431)</u>	<u>521,242</u>	<u>1,598,673</u>
Other financing sources (uses):				
Transfers (out)	-	-	(365,339)	(365,339)
Refund of prior year's expenditures	539	539	539	-
Total other financing sources (uses)	<u>539</u>	<u>539</u>	<u>(364,800)</u>	<u>(365,339)</u>
Extraordinary item:				
Settlement revenue	495,246	495,246	495,246	-
Total extraordinary item	<u>495,246</u>	<u>495,246</u>	<u>495,246</u>	<u>-</u>
Net change in fund balance	7,423	(581,646)	651,688	1,233,334
Fund balance at beginning of year	195,039	195,039	195,039	-
Prior year encumbrances appropriated	56,466	56,466	56,466	-
Fund balance (deficit) at end of year	<u>\$ 258,928</u>	<u>\$ (330,141)</u>	<u>\$ 903,193</u>	<u>\$ 1,233,334</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS/(DEFICIT)
PROPRIETARY FUND
JUNE 30, 2010

		Governmental Activities - Internal Service Fund
Liabilities:		
Intergovernmental payable	\$	125,861
Claims payable		<u>123,638</u>
Total liabilities		<u>249,499</u>
Net assets:		
Unrestricted (deficit).		<u>(249,499)</u>
Total net assets (deficit).	\$	<u><u>(249,499)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS/(DEFICIT)
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Governmental Activities - Internal Service Fund
Operating revenues:	
Sales/charges for services.	\$ 1,213,609
Total operating revenues	<u>1,213,609</u>
 Operating expenses:	
Purchased services.	338,990
Claims expense.	<u>1,107,789</u>
Total operating expenses.	<u>1,446,779</u>
 Operating loss	<u>(233,170)</u>
 Transfer in	<u>16,555</u>
 Change in net assets.	(216,615)
 Net assets (deficit) at beginning of year . .	<u>(32,884)</u>
 Net assets (deficit) at end of year.	<u>\$ (249,499)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services	\$ 1,213,609
Cash payments for purchased services	(338,990)
Cash payments for claims	<u>(869,964)</u>
Net cash provided by operating activities	<u>4,655</u>
Cash flows from noncapital financing activities:	
Cash payment to other funds	(21,210)
Cash received from transfers in	<u>16,555</u>
Net cash used by noncapital financing activities	<u>(4,655)</u>
Change in cash and cash equivalents	-
Cash and cash equivalents at beginning of year	-
Cash and cash equivalents at end of year	<u><u>\$ -</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (233,170)
Changes in assets and liabilities:	
Increase in intergovernmental payable	125,861
Increase in claims payable	<u>111,964</u>
Net cash provided by operating activities	<u><u>\$ 4,655</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 17,891	\$ 21,291
Total assets.	17,891	\$ 21,291
Liabilities:		
Accounts payable.	-	\$ 1,009
Due to students.	-	20,282
Total liabilities	-	\$ 21,291
Net assets:		
Held in trust for scholarships	17,891	
Total net assets	\$ 17,891	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 632
Gifts and contributions	1,332
Total additions	1,964
Deductions:	
Scholarships awarded	800
Change in net assets	1,164
Net assets at beginning of year	16,727
Net assets at end of year	\$ 17,891

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements 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) guidance issued on or before November 30, 1989, to its governmental activities and to its proprietary fund provided it does not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below:

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. 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 of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Educational Computer Association

The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of public 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. The District paid \$60,364 to NOECA in fiscal year 2010 for services. Financial information is available from Betty Schwiefert, who serves as controller, at 2900 Columbus Avenue, Sandusky, Ohio 44870.

Vanguard-Sentinel Career Center

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

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

INSURANCE PURCHASING POOL

Ohio Mid-Eastern Regional Educational Services Agency

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

B. Fund Accounting

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The following are the District's major governmental funds:

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

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

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

Other governmental funds of the District are used to account for (a) the accumulation of resources and payment of general long-term debt principal and interest from governmental resources when the government is obligated in some manner for payment; (b) grants and other resources whose use is restricted to a particular purpose; and (c) food service operations.

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

Internal service fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical and dental benefits to employees.

FIDUCIARY FUNDS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenue of the District's internal service fund is charges for services. Operating expenses for internal service fund includes the cost of claims and purchased services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from income taxes is recognized in the fiscal year in which the underlying exchange transaction occurred (See Note 16).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. 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. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, income taxes, interest, tuition, grants, student fees and rentals.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2010 are recorded as deferred revenue in the governmental funds.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except Agency funds). The specific timetable for fiscal year 2010 is as follows:

1. Prior to January 15, 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 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. The Sandusky County Auditor waived this requirement for 2010.
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 July 1, 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 of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2010.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. Although the legal level of control has been established at the fund level of expenditures, the District has elected to present the budgetary statement for the general fund at the fund and function level of expenditures in the basic financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

6. 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.
7. Appropriations 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 prior to June 30, 2010. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. 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 legal level of budgetary control.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" and "investments" on the basic financial statements.

During fiscal year 2010, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), negotiable CD's, municipal and corporate bonds and U.S. Government money market mutual funds. 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.

The District has invested funds in STAR Ohio during fiscal year 2010. 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 shares price which is the price the investment could be sold for on June 30, 2010.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$10,577 which includes \$6,208 assigned from other funds.

For presentation on the basic financial statements, 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 District's investment account at year end is provided in Note 4.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

General capital assets are those assets related to governmental activities. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$2,000. Improvements are capitalized; 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. The District does not possess infrastructure.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities <u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	50 years
Furniture and equipment	5 - 20 years
Vehicles	8 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds". Long-term advances not expected to be repaid within one year are classified as "loans to/from other funds". These amounts are eliminated in the governmental activities column on the statement of net assets.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments 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 BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2010, 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 sick leave on employees expected to become eligible to retire in the future, all employees with at least five years of service 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 June 30, 2010 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and lease purchase agreements are recognized as a liability on the fund financial statements when due.

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a 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 have been established for encumbrances, materials and supplies inventory, prepayments, property tax revenue unavailable for appropriation, textbooks, debt service and loans. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The restriction for other purposes includes monies restricted for textbooks.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Estimates

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

O. Interfund Activity

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

P. Bond Issuance Costs/Premiums

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the face value of the bonds and the amount reported on the statement of net assets is presented in Note 9.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2010, the District incurred a transaction that would be classified as extraordinary item. The extraordinary item involves a settlement from the closure of Sandusky County Educational Service Center. The District received revenue it was entitled as a result of this settlement. These transactions are reflected as extraordinary items on the statement of activities.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Legal Compliance:

Appropriations Exceed Estimated Resources-Ohio Revised Code 5705.39 prohibits Appropriations from exceeding the total Estimated Resources. The following funds had Appropriations exceeding Estimated Resources:

Final Budget

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
General	\$ 10,569,859	\$ 10,900,000	\$ (330,141)

C. Deficit Fund Balances/Net Assets

Fund balances and net assets at June 30, 2010 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Management information systems	\$ 13
Title I, migrant children	32,244
IDEA, Part B	22,999
Title I, disadvantaged children	78,910
IDEA preschool grant for the handicapped	24
Improving teacher quality	9,602
 <u>Internal Service Fund</u>	
Medical and dental self-insurance	249,499

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals normally occur. These funds complied with Ohio State law, which does not permit a cash basis deficit at year end. The deficit fund balances and net assets result from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above 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 banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At fiscal year end, the District had \$2,492 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and cash equivalents”.

B. Deposits with Financial Institutions

At June 30, 2010, the carrying amount of all District deposits was \$482,856. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2010, \$981,697 of the District’s bank balance of \$1,730,697 was exposed to custodial risk as discussed below, while \$749,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2010, the District had the following investments and maturities:

Investment type	Fair Value	Investment Maturities		
		6 months or less	7 to 12 months	13 to 18 months
Negotiable CD's	\$ 8,206,337	\$ 6,470,148	\$ 1,240,958	\$ 495,231
Municipal bonds	4,899,099	3,775,774	310,041	813,284
Corporate bonds	3,054,530	2,018,420	-	1,036,110
U.S. Government money market	2,747,272	2,747,272	-	-
STAR Ohio	2,137,670	2,137,670	-	-
Total	<u>\$ 21,044,908</u>	<u>\$ 17,149,284</u>	<u>\$ 1,550,999</u>	<u>\$ 2,344,625</u>

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The District's U.S. Government money market mutual funds carry a rating of AAAM by Standard & Poor's. The District's municipal bonds were rated ranging from AAA to AA and Aa3 to A1 by Standard & Poor's and Moody's Investor Services, respectively. The District's corporate bonds were rated Aaa by Moody's Investor Services and were rated AAA by Standard & Poor's. The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Negotiable CD's	\$ 8,206,337	39.00
Municipal bonds	4,899,099	23.28
Corporate bonds	3,054,530	14.51
U.S. Government money market	2,747,272	13.05
STAR Ohio	2,137,670	10.16
Total	<u>\$ 21,044,908</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2010:

<u>Cash and investments per note</u>		
Carrying amount of deposits	\$ 482,856	
Investments	21,044,908	
Cash on hand	2,492	
Total	<u>\$ 21,530,256</u>	
 <u>Cash and investments per statement of net assets</u>		
Governmental activities	\$ 21,491,074	
Private-purpose trust fund	17,891	
Agency fund	21,291	
Total	<u>\$ 21,530,256</u>	

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2010 as reported on the fund statements, consist of the following loans to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	<u>\$ 5,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

These interfund balances will be repaid once the anticipated revenues are received. Long-term interfund balances are not expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2010 are reported on the statement of net assets.

- B.** Interfund transfers for the year ended June 30, 2010, consisted of the following, as reported on the fund financial statements:

<u>Transfers from the general fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 348,784
Internal service fund	<u>16,555</u>
Total	<u>\$ 365,339</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Sandusky, Wood, and Seneca Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$772,415 in the general fund and \$230,190 in the bond retirement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2009 was \$322,677 in the general fund and \$84,248 in the bond retirement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been deferred.

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 120,008,700	95.46	\$ 130,858,430	95.92
Public utility personal	<u>5,711,140</u>	<u>4.54</u>	<u>5,568,380</u>	<u>4.08</u>
Total	<u>\$ 125,719,840</u>	<u>100.00</u>	<u>\$ 136,426,810</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$42.90		\$42.70

NOTE 7 - RECEIVABLES

Receivables at June 30, 2010 consisted of property taxes, income taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:	
Property taxes	\$ 3,209,661
School district income taxes	609,953
Accounts	5,035
Accrued interest	69,306
Intergovernmental	<u>1,762,252</u>
Total	<u>\$ 5,656,207</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 7 - RECEIVABLES - (Continued)

Receivables have been disaggregated on the face of the financial statements. The intergovernmental receivable in the amount of \$1,537,512 reported in the classroom facilities fund is expected to be collected over the next several fiscal years as the Ohio School Facilities Commission construction project is completed. All other receivables are expected to be collected within the subsequent year.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance</u> <u>07/01/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/10</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 450,809	\$ -	\$ -	\$ 450,809
Construction in progress	<u>1,913,629</u>	<u>14,993,395</u>	<u>-</u>	<u>16,907,024</u>
Total capital assets, not being depreciated	<u>2,364,438</u>	<u>14,993,395</u>	<u>-</u>	<u>17,357,833</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	90,160	73,150	-	163,310
Buildings and improvements	4,130,462	-	-	4,130,462
Furniture and equipment	1,253,400	36,054	-	1,289,454
Vehicles	<u>1,615,267</u>	<u>72,367</u>	<u>-</u>	<u>1,687,634</u>
Total capital assets, being depreciated	<u>7,089,289</u>	<u>181,571</u>	<u>-</u>	<u>7,270,860</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(90,160)	(1,829)	-	(91,989)
Buildings and improvements	(3,373,470)	(61,790)	-	(3,435,260)
Furniture and equipment	(1,042,810)	(48,539)	-	(1,091,349)
Vehicles	<u>(1,317,213)</u>	<u>(91,332)</u>	<u>-</u>	<u>(1,408,545)</u>
Total accumulated depreciation	<u>(5,823,653)</u>	<u>(203,490)</u>	<u>-</u>	<u>(6,027,143)</u>
Governmental activities capital assets, net	<u>\$ 3,630,074</u>	<u>\$ 14,971,476</u>	<u>\$ -</u>	<u>\$ 18,601,550</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 16,651
Special	10,604
Other	305
<u>Support services:</u>	
Instructional staff	96
Administration	311
Operations and maintenance	19,556
Pupil transportation	99,649
Extracurricular activities	53,735
Food service operations	<u>2,583</u>
Total depreciation expense	<u>\$ 203,490</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 9 - LONG-TERM OBLIGATIONS

A. During fiscal year 2010, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/09</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/10</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
<u>General Obligation Bonds:</u>					
Series 2008A Issue:					
Current interest bonds	\$ 9,625,000	\$ -	\$ (200,000)	\$ 9,425,000	\$ 245,000
Capital appreciation bonds	199,992	-	-	199,992	-
Accreted interest	47,573	41,964	-	89,537	-
Series 2008B Issue:					
Current interest bonds	2,270,000	-	(55,000)	2,215,000	60,000
Capital appreciation bonds	10,000	-	-	10,000	-
Accreted interest	7,153	8,673	-	15,826	-
Series 2008C Issue:					
Current interest bonds	7,085,000	-	(260,000)	6,825,000	270,000
Capital appreciation bonds	289,992	-	-	289,992	-
Accreted interest	69,188	66,011	-	135,199	-
Total general obligation bonds payable	<u>19,603,898</u>	<u>116,648</u>	<u>(515,000)</u>	<u>19,205,546</u>	<u>575,000</u>
<u>Other Long-Term Obligations:</u>					
Compensated absences	<u>589,121</u>	<u>141,002</u>	<u>(24,472)</u>	<u>720,313</u>	<u>110,589</u>
Total other long-term obligations	<u>589,121</u>	<u>141,002</u>	<u>(24,472)</u>	<u>720,313</u>	<u>110,589</u>
Total governmental activities	<u>\$ 20,193,019</u>	<u>\$ 257,650</u>	<u>\$ (539,472)</u>	<u>19,925,859</u>	<u>\$ 685,589</u>
Add: Unamortized premium on bond issue				<u>692,539</u>	
Total on statement of net assets				<u>\$ 20,618,398</u>	

Compensated absences - Compensated absences will be paid from the fund from which the employee's salaries are paid, which for the District is primarily the general fund.

B. General Obligation Bonds

On March 20, 2008, the District issued \$9,899,992 in general obligation bonds (Series 2008A School Facilities Construction and Improvement Bonds). This issue is comprised of both current interest bonds, par value \$9,700,000 and capital appreciation bonds, par value \$199,992. The interest rates on the current interest bonds range from 3.250% to 4.250%. The capital appreciation bonds mature on January 15, 2014 and January 15, 2015 (stated interest rate 16.405%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$540,000. Total accreted interest of \$89,537 has been included in the statement of net assets.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

On April 8, 2008, the District issued \$2,330,000 in general obligation bonds (Series 2008B School Facilities Construction and Improvement Bonds). This issue is comprised of both current interest bonds, par value \$2,320,000 and capital appreciation bonds, par value \$10,000. The interest rates on the current interest bonds range from 3.000% to 4.375%. The capital appreciation bonds mature on January 15, 2014 and January 15, 2015 (stated interest rate 45.810%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$130,000. Total accreted interest of \$15,826 has been included in the statement of net assets.

On April 24, 2008, the District issued \$7,399,992 in general obligation bonds (Series 2008C School Facilities Construction and Improvement Bonds). This issue is comprised of both current interest bonds, par value \$7,110,000 and capital appreciation bonds, par value \$289,992. The interest rates on the current interest bonds range from 2.250% to 4.000%. The capital appreciation bonds mature on January 15, 2014, January 15, 2015 and January 15, 2016 (stated interest rate 17.725%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$900,000. Total accreted interest of \$135,199 has been included in the statement of net assets.

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

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

The District had unspent bond proceeds of \$4,413,439 as of June 30, 2010.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year Ending <u>June 30,</u>	Current Interest Bonds			Capital Appreciation Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 575,000	\$ 736,359	\$ 1,311,359	\$ -	\$ -	\$ -
2012	595,000	717,822	1,312,822	-	-	-
2013	610,000	697,846	1,307,846	-	-	-
2014	-	677,372	677,372	227,343	407,657	635,000
2015	-	677,372	677,372	191,854	443,146	635,000
2016 - 2020	3,075,000	3,176,639	6,251,639	80,787	219,213	300,000
2021 - 2025	4,095,000	2,461,230	6,556,230	-	-	-
2026 - 2030	4,980,000	1,572,191	6,552,191	-	-	-
2031 - 2035	3,795,000	605,590	4,400,590	-	-	-
2036	740,000	31,625	771,625	-	-	-
Total	<u>\$ 18,465,000</u>	<u>\$ 11,354,046</u>	<u>\$ 29,819,046</u>	<u>\$ 499,984</u>	<u>\$ 1,070,016</u>	<u>\$ 1,570,000</u>

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% 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 additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2010, resulted in no remaining voted debt margin and an unvoted debt margin of \$136,383.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 10 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the District contracted with Ohio School Plan for fleet insurance and liability insurance, and with Indiana Insurance Company for property, inland marine and crime coverage. Coverages provided by these companies are as follows:

Building and contents - replacement cost (\$1,000 deductible)	\$37,136,326
Crime insurance (\$1,000 deductible)	25,000
Automobile liability (\$1,000 buses other \$250 deductible)	1,000,000
Uninsured motorists (\$1,000 buses other \$250 deductible)	1,000,000
General liability	
Per occurrence	2,000,000
Total per year	4,000,000

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

B. Workers' Compensation Plan

For fiscal year 2010, 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.

C. Employee Group Life Insurance

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

D. Dental Self-Insurance

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 10 - RISK MANAGEMENT - (Continued)

The claims liability of \$12,222 reported in the internal service fund at June 30, 2010 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 years 2010 and 2009 are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2010	\$ 11,674	\$ 79,506	\$ (78,958)	\$ 12,222
2009	9,080	93,198	(90,604)	11,674

E. Employee Group Medical

Medical insurance is offered to employees through a self-insurance internal service fund. The District is a member of OME-RESA, a claims servicing pool, consisting of 74 school districts within the State, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. The premium for family is \$1,116.26 and for single is \$408.31. The Board pays 85% of the premium for certified employees and the percentage the Board pays for the non-certified employees varies. The claims liability of \$111,416 reported in the internal service fund at June 30, 2010 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 for the past year is as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2010	\$ -	\$ 1,028,238	\$ (916,822)	\$ 111,416

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 11 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.74 percent and .04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$216,660, \$158,705 and \$156,012, respectively; 46.65 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System of Ohio

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 11 - 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$480,396, \$498,095 and \$514,718, respectively; 82.01 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$23,268 made by the District and \$16,620 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$41,496, \$97,312 and \$93,772, respectively; 46.65 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$12,884, \$13,094 and \$11,241, respectively; 46.65 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$36,954, \$38,315 and \$39,594, respectively; 82.01 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance	<u>General Fund</u>
Budget basis	\$ 651,688
Net adjustment for revenue accruals	387,951
Net adjustment for expenditure accruals	(169,339)
Net adjustment for other sources/uses	(539)
Adjustment for encumbrances	<u>28,238</u>
GAAP basis	<u>\$ 897,999</u>

NOTE 14 - CONTINGENCIES

A. Grants

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 14 - CONTINGENCIES - (Continued)

B. Litigation

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

NOTE 15 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2010, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2009	\$ 27,170	\$ (19,318,992)
Current year set-aside requirement	157,515	157,515
Qualifying disbursements	<u>(113,199)</u>	<u>(77,251)</u>
 Total	 <u>\$ 71,486</u>	 <u>\$ (19,238,728)</u>

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

A schedule of the governmental fund restricted assets at June 30, 2010 follows:

Amount restricted for textbooks	<u>\$ 71,486</u>
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NOTE 16 - INCOME TAX

The District levies a voted tax of 1.00 percent for general operations on the income of residents and of estates. The tax was approved by voters in March 2004, and is a continuing tax. In November 2007, voters approved an additional .5% income tax for the construction of the new Pre-K through 12 school building. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and totaled \$1,702,963 for fiscal year 2010.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 17 - CONTRACTUAL COMMITMENTS

As of June 30, 2010, the District had the following contractual commitments outstanding related to the Construction Project described in Note 9.B. A summary of the primary contractual commitments follows:

<u>Contractor</u>	<u>Original Contract Amount</u>	<u>Amount Paid Through June 30, 2010</u>	<u>Remaining Contract Amount</u>
Garmann Miller Architects	\$ 1,980,628	\$ (1,723,146)	\$ 257,482
Bostleman G. Stevens	1,910,236	(1,161,843)	748,393
Vaughn Industries	3,891,000	(2,250,192)	1,640,808
Accel Fire Systems, Inc.	265,400	(150,984)	114,416
Mel Lanzer	17,524,313	(7,189,456)	10,334,857
Coyle Mechanical, Inc.	1,011,531	(623,838)	387,693
Lake Erie Electric of Ohio	<u>3,327,321</u>	<u>(1,591,913)</u>	<u>1,735,408</u>
Totals	<u>\$ 29,910,429</u>	<u>\$ (14,691,372)</u>	<u>\$ 15,219,057</u>

**LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture						
Passed through State Department of Education						
<i>Child Nutrition Cluster</i>						
School Breakfast Program	10.553	2010	\$ 60,714	\$ 0	\$ 60,714	\$ 0
National School Lunch Program (Note 2)	10.555	2010	176,308	23,255	176,308	23,255
<i>Total Child Nutrition Cluster</i>			<u>237,022</u>	<u>23,255</u>	<u>237,022</u>	<u>23,255</u>
Total U.S. Department of Agriculture			<u>237,022</u>	<u>23,255</u>	<u>237,022</u>	<u>23,255</u>
U.S. Department of Education						
Passed through State Department of Education						
<i>Title I School Subsidy Cluster</i>						
Title I - Grants to Local Educational Agencies	84.010	2009	44,857	0	43,181	0
Title I - Grants to Local Educational Agencies	84.010	2010	117,286	0	111,857	0
ARRA - Title I - Grants to Local Educational Agencies	84.389	2010	130,431	0	127,431	0
<i>Total Title I School Subsidy Cluster</i>			<u>292,574</u>	<u>0</u>	<u>282,469</u>	<u>0</u>
<i>Special Education Cluster:</i>						
Special Education Grants to States - IDEA Part B	84.027	2009	20,530	0	40,071	0
Special Education Grants to States - IDEA Part B	84.027	2010	272,218	0	263,550	0
ARRA - Special Education Grants to States - IDEA Part B	84.391	2010	123,230	0	90,671	0
Early Childhood Special Education Grants - IDEA Preschool	84.173	2010	13,331	0	13,331	0
ARRA - Early Childhood Special Education Grants - IDEA Preschool	84.392		8,420	0	8,420	0
<i>Total Special Education Cluster</i>			<u>437,729</u>	<u>0</u>	<u>416,043</u>	<u>0</u>
Safe and Drug Free Schools and Communities						
State Grants	84.186	2009	0	0	3,544	0
State Grants	84.186	2010	2,205	0	0	0
<i>Total CFDA #84.186</i>			<u>2,205</u>	<u>0</u>	<u>3,544</u>	<u>0</u>
Migrant Education - State Grants Program						
Migrant Education - State Grants Program	84.011	2009	121,306	0	125,266	0
Migrant Education - State Grants Program	84.011	2010	12,908	0	1,705	0
<i>Total CFDA #84.011</i>			<u>134,214</u>	<u>0</u>	<u>126,971</u>	<u>0</u>
Education Technology State Grants						
Education Technology State Grants	84.318	2010	237	0	0	0
Improving Teacher Quality -State Grants						
Improving Teacher Quality -State Grants	84.367	2009	0	0	2,471	0
Improving Teacher Quality -State Grants	84.367	2010	52,024	0	51,666	0
<i>Total CFDA #84.367</i>			<u>52,024</u>	<u>0</u>	<u>54,137</u>	<u>0</u>
ARRA - State Fiscal Stabilization Fund						
ARRA - State Fiscal Stabilization Fund	84.394	2010	330,605	0	17,364	0
Total U.S. Department of Education			<u>1,249,588</u>	<u>0</u>	<u>900,528</u>	<u>0</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,486,610</u>	<u>\$ 23,255</u>	<u>\$ 1,137,550</u>	<u>\$ 23,255</u>

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

**LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 1: BASIS OF PRESENTATION

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

NOTE 2: NONCASH SUPPORT

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

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

Board of Education
Lakota Local School District
Risingsun, Ohio

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lakota Local School District, Sandusky County, Ohio, as of and for the year ended June 30, 2010, which collectively comprise the Lakota Local School District, Ohio's basic financial statements and have issued our report thereon dated December 21, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lakota Local School District, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the Lakota Local School District, Ohio, in a separate letter dated December 21, 2010.

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



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

December 21, 2010

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

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

Board of Education
Lakota Local School District
Risingsun, Ohio

Compliance

We have audited the Lakota Local School District, Sandusky County, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Lakota Local School District, Ohio's major federal programs for the year ended June 30, 2010. The Lakota Local School District, Ohio's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Lakota Local School District, Ohio's management. Our responsibility is to express an opinion on the Lakota Local School District, Ohio's compliance based on our audit.

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

In our opinion, the Lakota Local School District, Ohio complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

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

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

We noted certain matters that we reported to the management of the Lakota Local School District, Ohio, in a separate letter dated December 21, 2010.

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



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

December 21, 2010

**LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

2010(i)	Type of Financial Statement Opinion	Unqualified
2010(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2010(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2010(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2010(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2010(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2010(v)	Type of Major Program's Compliance Opinion	Unqualified
2010(vi)	Are there any reportable findings under .510?	No
2010(vii)	Major Programs (list): Title I Cluster: Title I - Grants to Local Educational Agencies - CFDA #84.010 Title I - Grants to Local Educational Agencies - ARRA - CFDA #84.389 Special Education Cluster: Special Education Grants to States - IDEA Part B - CFDA #84.027 Special Education-Grants to States - IDEA Part B - ARRA - CFDA #84.391 Early Childhood Special Education Grants - IDEA Preschool - CFDA #84.173 Early Childhood Special Education Grants -IDEA Preschool-ARRA-CFDA #84.392	
2010(viii)	Dollar Threshold: Type A\B Program	Type A: \$300,000 or more Type B: All others less than \$300,000
2010(ix)	Low Risk Auditee?	No

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY
STATUS OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
JUNE 30, 2010**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significant Different Corrective Action Taken; or Finding Longer Valid; Explain:</u>
2009-LLSD-001	<i>Significant Deficiency/Material Weakness</i> Audit adjustments were necessary to correct errors in the District's financial statements and notes.	Yes	
2009-LLSD-002	<i>Significant Deficiency/Noncompliance</i> Ohio Revised Code Section 117.38 requires the annual GAAP report to be filed within 150 days after the close of the fiscal year.	No	Partially corrected; repeated as management comment.
2009-LLSD-003	<i>Significant Deficiency/Noncompliance</i> Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of monies are to be made unless there is a certificate of the Fiscal Officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.	Yes	
2009-LLSD-004	<i>Significant Deficiency/Noncompliance</i> Ohio Administrative Code 117-2-02C(1) states, in part, that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system.	Yes	
2009-LLSD-005	<i>Non-Compliance Finding</i> 31 U.S.C. 7502(a)(1)(A) requires non-federal entities that expend \$500,000 or more in a year in Federal awards shall have an annual Single or Program-Specific audit conducted for that year and filed with the Federal Audit Clearinghouse within nine months after year-end.	Yes	

The prior audit report, as of June 30, 2009, also included recommendations. These recommendations were corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



Dave Yost • Auditor of State

LAKOTA LOCAL SCHOOL DISTRICT

SANDUSKY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 8, 2011