



Dave Yost • Auditor of State

**LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Cash Basis.....	14
Statement of Activities – Cash Basis	15
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis Governmental Funds.....	16
Statement of Receipts, Disbursements and Changes in Fund Balances – Cash Basis – Governmental Funds	17
Statement of Receipts, Disbursements and Change in Fund Balance – Budget and Actual - (Budget Basis) - General Fund	18
Statement of Net Position – Cash Basis – Proprietary Fund.....	19
Statement of Receipts, Disbursements and Changes in Net Position – Cash Basis – Proprietary Fund.....	20
Statement of Net Position - Cash Basis – Fiduciary Funds.....	21
Statement of Changes in Net Position - Cash Basis – Fiduciary Funds	22
Notes to the Basic Financial Statements	23
Federal Awards Expenditure Schedule.....	51
Notes to the Federal Awards Expenditure Schedule	51
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	57
Independent Auditor's Report on Compliance with Requirements Applicable To the Major Federal Programs and on Internal Control Over Compliance Required by OMB Circular A-133.....	59
Schedule of Findings.....	63
Schedule of Prior Audit Findings.....	68
Corrective Action Plan.....	69

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lakota Local School District, Sandusky County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lakota Local School District, Sandusky County, Ohio, as of June 30, 2015, and the respective changes in cash financial position and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Matters

Supplemental Information

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

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

Other Information

We applied no procedures to Management's Discussion and Analysis. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

February 18, 2016

This page intentionally left blank.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

The Management's Discussion and Analysis of the Lakota Local School District's (the District) financial performance provides an overall review of the District's financial activities for the year ended June 30, 2015, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to those respective statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2015 are:

- In total, net position increased by \$283,841, due primarily to increases in charges for services, property taxes, and income taxes coupled with the District maintaining its spending within the receipts collected.
- General receipts accounted for \$12,295,819 or 86.09 percent of all receipts. Program specific receipts in the form of charges for services and sales, grants, and contributions accounted for \$1,987,411 or 13.91 percent of total receipts of \$14,283,230.
- The District had \$13,999,389 in program disbursements related to governmental activities. The District's disbursements for instruction activities accounted for 47.04 percent of the total disbursements. Excluding capital outlay and the related grant and investment receipts, general receipts were not adequate to provide for the instructional, supporting services, and other programs.
- The District's major governmental funds are the General Fund, the Bond Retirement Fund, and the Classroom Facilities Fund. The General Fund had \$11,956,247 in receipts compared to \$11,479,178 in disbursements and other financing uses. During fiscal year 2015, fund balance of the General Fund increased by \$477,069 from \$2,821,059 to \$3,298,128.

Using these Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's cash basis of accounting. Accordingly, it consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole District, presenting an aggregate view of the District's finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other nonmajor funds presented in total in one column. In the case of the District, the General Fund, the Bond Retirement Fund, and the Classroom Facilities Fund are by far the most significant funds, and the only funds reported as major funds.

The notes to the financial statement are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

The Statement of Net Position and the Statement of Activities reflect how the District did financially during fiscal year 2015, within the limitations of the cash basis of accounting. The Statement of Net Position presents the cash balances and investments of the governmental activities of the District at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental program draws from the District's general receipts.

These statements report the District's cash position and changes in cash position. Keeping in mind the limitations of the cash basis of accounting, the reader can think of the changes in cash position as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. The cause of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Position and Statement of Activities, the governmental activities include the District's programs and services including instruction, support services, operation and maintenance of plant, pupil transportation, food service operations, and extracurricular activities.

The District's Statement of Net Position and Statement of Activities can be found on pages 14 and 15 of the report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 16 of the financial statements. Fund financial statements provide detailed information about the District's major funds. The District established separate funds to better manage its many activities and to demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The District's funds are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds

Most of the District's activities are reported in governmental funds. The governmental fund statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent to finance educational programs. The programs reported in the governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Proprietary Fund

The District maintains one proprietary fund. Internal service funds are an accounting device used to accumulate and allocate cost internally among the District's various functions. The District's Internal Service Fund accounts for medical and dental self-insurance. The basic proprietary fund financial statements can be found on pages 19-20 of this report. The District does not maintain any enterprise funds

Fiduciary Funds

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 21-22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

The District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position for 2015 compared to 2014 on a cash basis:

Table 1 - Net Position

	Governmental Activities	
	2015	2014
ASSETS		
Equity in pooled cash and cash equivalents	\$ 5,473,199	\$ 3,673,404
Cash and cash equivalents in segregated accounts	-	1,266,611
Investments	-	249,343
Total Assets	<u>5,473,199</u>	<u>5,189,358</u>
NET POSITION		
Restricted	2,318,218	2,451,301
Unrestricted	3,154,981	2,738,057
Total Net Position	<u>\$ 5,473,199</u>	<u>\$ 5,189,358</u>

By comparing net position from 2014 to 2015, one can see the overall cash position of the District has increased as evidenced by the increase in net position of \$283,841 or 5.47 percent. This increase can mainly be attributed to increases in charges for services, property taxes, and income taxes when compared to fiscal year 2014.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

Table 2 shows the changes in net position for fiscal year 2015, and also presents a comparative analysis to fiscal year 2014 for governmental activities.

Table 2 - Change in Net Position

	Governmental Activities	
	2015	2014
Cash Receipts		
Program Cash Receipts:		
Charges for services	\$ 1,000,228	\$ 942,007
Operating grants and contributions	987,183	1,415,831
Total Program Cash Receipts	1,987,411	2,357,838
General Cash Receipts:		
Property taxes	3,967,570	3,603,584
Income taxes	2,256,707	2,136,633
Payments in lieu of taxes	113,708	96,862
Grants and entitlements	5,792,313	5,795,683
Earnings on investments	5,653	7,101
All other revenues	159,868	221,725
Total General Cash Receipts	12,295,819	11,861,588
Total Cash Receipts	14,283,230	14,219,426
Cash Disbursements		
Program Disbursements:		
Instruction:		
Regular	5,061,505	4,834,267
Special	1,513,834	1,596,608
Vocational	8,719	3,325
Other	1,777	1,805
Supporting Services:		
Pupils	1,097,330	1,000,954
Instructional Staff	212,885	240,372
Board of Education	47,382	27,701
Administration	990,492	984,310
Fiscal Services	268,873	262,869
Business	267,864	257,325
Operation and Maintenance of Plant	1,145,432	1,068,446
Pupil Transportation	786,346	762,363
Central	4,507	924
Operation of Non-Instructional Services	508,704	484,898
Extracurricular Activities	424,367	371,004
Capital Outlay	8,315	36,323
Debt Service	1,651,057	973,686
Total Cash Disbursements	13,999,389	12,907,180
Change in Net Position	283,841	1,312,246
Net Position - Beginning of Year	5,189,358	3,877,112
Net Position - End of Year	\$ 5,473,199	\$ 5,189,358

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

Governmental Activities

The vast majority of receipts supporting all governmental activities are from general receipts. General receipts totaled \$12,295,819 or 86.09 percent of the District's total receipts. The most significant portions of the general receipts are local property taxes, school district income taxes, and unrestricted grants and entitlements. The remaining amount of District receipts was in the form of program receipts, which equated to \$1,987,411 or only 13.91 percent.

Excluding capital outlay and debt service, the largest disbursement for the District is for instructional programs. Instructional programs' disbursements totaled \$6,585,835 or 47.04 percent of the \$13,999,389 in cash disbursements.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements.

Table 3 - Governmental Activities

	Total Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2015	Net Cost of Services 2014
Instruction	\$ 6,585,835	\$ 6,436,005	\$ 5,318,209	\$ 4,849,258
Supporting Services:				
Pupils and Instructional Staff	1,310,215	1,241,326	1,191,950	1,070,283
Board of Education, Administration, Fiscal Services, and Business	1,574,611	1,532,205	1,551,450	1,486,307
Operation and Maintenance of Plant	1,145,432	1,068,446	1,121,286	1,061,225
Pupil Transportation	786,346	762,363	778,474	750,680
Central	4,507	924	1,807	(1,776)
Operation of Non-Instructional Services	508,704	484,898	39,540	4,257
Extracurricular Activities	424,367	371,004	349,890	319,099
Capital Outlay	8,315	36,323	8,315	36,323
Debt Services	1,651,057	973,686	1,651,057	973,686
Total Cost of Services	<u>\$ 13,999,389</u>	<u>\$ 12,907,180</u>	<u>\$ 12,011,978</u>	<u>\$ 10,549,342</u>

The dependence upon taxes and other general receipts is apparent, 80.75 percent of instruction activities and 96.35 percent of support services were supported through taxes and other general receipts.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

The District's Funds

The District's governmental funds reported a combined fund balance of \$5,473,199, which is higher than last year's balance of \$5,189,358. The following table indicates the fund balance and the change in fund balance from June 30, 2014 to June 30, 2015 for each major governmental fund and the total of the nonmajor governmental funds.

Table 4 - Governmental Fund Balances

	Fund Balance June 30, 2015	Fund Balance June 30, 2014	Increase (Decrease)	Percent Change
General Fund	\$ 3,298,128	\$ 2,821,059	\$ 477,069	16.91%
Bond Retirement	569,095	694,334	(125,239)	-18.04%
Classroom Facilities	1,109,738	1,109,738	-	0.00%
Other Governmental	496,238	564,227	(67,989)	-12.05%
Total	\$ 5,473,199	\$ 5,189,358	\$ 283,841	5.47%

The District's General Fund balance increased \$477,069 which can be attributed to increases in revenues coupled with cost saving measures, including not replacing staff due to attrition, close monitoring of purchases, etc.

The Bond Retirement Fund balance decrease is mainly attributed to the payment of accreted interest on several capital appreciation bonds in fiscal year 2015 that was not due in fiscal year 2014.

The Classroom Facilities Capital Projects Fund balance remained unchanged when compared to 2014.

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 2015, the District did not file a certificate of estimated resources to be approved by the Budget Commission. The original and final budgets for the General Fund receipts were both at \$0. Actual receipts and other financing sources were \$11,927,235, which was \$11,927,235 higher than the final budgeted receipts.

The General Fund original appropriation was set at \$11,646,246 and the final appropriation was amended to \$11,656,246 (which includes prior year encumbrances). The actual budget basis disbursements and other financing uses for fiscal year 2015 totaled \$11,503,713 (which includes current year outstanding encumbrances), which was \$152,533 lower than final appropriations.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

Debt Administration

Debt

At June 30, 2015, the District had \$16,685,000 in current interest bonds, \$80,787 in capital appreciation bonds, \$172,594 in accreted interest on the capital appreciation bonds, and \$536,584 in unamortized premium on bonds outstanding. \$415,787 of the bonds outstanding is due within one year and \$17,059,178 is due in more than one year.

The following table summarizes the bonds outstanding at June 30, 2015 and June 30, 2014:

Table 5 - Outstanding Debt as of June 30th

	Governmental Activities	
	2015	2014
Current interest bonds	\$ 16,685,000	\$ 16,685,000
Capital appreciation bonds	80,787	272,642
Accreted interest	172,594	468,783
Unamortized premium on bonds	536,584	567,774
Total outstanding debt	\$ 17,474,965	\$ 17,994,199

At June 30, 2015, the District had no remaining voted debt margin and an unvoted debt margin of \$173,236.

See Note 14 to the basic financial statements for the additional information on the District's debt.

Current Financial Related Activities

The District currently operates on a 1.5 percent income tax levy (1.0 percent operating and 0.5 percent OSFC project) and is at the 20 mill floor for property tax. The District has one permanent improvement fund at this time. In November 2007, voters approved a combination levy, consisting of 6.5 mills property tax and 0.5 percent income tax, for the construction of a new Pre-K through 12 school building which was completed through the Ohio School Facilities Commission's Exceptional Needs Program.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Treasurer at Lakota Local School District, 5200 Co. Rd. 13, Kansas, Ohio 44841.

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

Basic Financial Statements

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

**STATEMENT OF NET POSITION – CASH BASIS
JUNE 30, 2015**

	Governmental Activities
ASSETS	
Equity in Pooled Cash and Cash Equivalents	\$ 5,473,199
Total Assets	<u>\$ 5,473,199</u>
NET POSITION	
Restricted for:	
Capital Projects	\$ 1,186,592
Debt Services	569,095
Capital Set-Aside	143,147
Classroom Facilities Maintenance	228,305
Locally Funded Programs	23,072
State Funded Programs	70,516
Federally Funded Programs	51,467
Food Services	34,116
Student Activities	11,908
Unrestricted	3,154,981
Total Net Position	<u>\$ 5,473,199</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF ACTIVITIES – CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u>		<u>Net (Disbursements)</u> <u>Receipts and Changes in</u> <u>Net Position</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Primary Government:				
Governmental Activities				
Instruction:				
Regular	\$ 5,061,505	\$ 685,640	\$ 47,303	\$ (4,328,562)
Special	1,513,834	53,963	435,809	(1,024,062)
Vocational	8,719	-	44,911	36,192
Other	1,777	-	-	(1,777)
Support Services:				
Pupils	1,097,330	-	114,057	(983,273)
Instructional Staff	212,885	-	4,208	(208,677)
Board of Education	47,382	-	-	(47,382)
Administration	990,492	-	23,161	(967,331)
Fiscal Services	268,873	-	-	(268,873)
Business	267,864	-	-	(267,864)
Operation and Maintenance of Plant	1,145,432	-	24,146	(1,121,286)
Pupil Transportation	786,346	-	7,872	(778,474)
Central	4,507	-	2,700	(1,807)
Operation of Non-Instructional Services:				
Food Service Operations	506,078	186,148	280,637	(39,293)
Community Services	2,626	-	2,379	(247)
Extracurricular Activities	424,367	74,477	-	(349,890)
Capital Outlay	8,315	-	-	(8,315)
Debt Service	1,651,057	-	-	(1,651,057)
Total	<u>\$ 13,999,389</u>	<u>\$ 1,000,228</u>	<u>\$ 987,183</u>	<u>(12,011,978)</u>

General Cash Receipts

Property Taxes levied for:	
General Purposes	3,061,717
Debt Service	905,853
Income Taxes levied for:	
General Purposes	2,194,707
Other Purposes	62,000
Payments in Lieu of Taxes	113,708
Grants & Entitlements not Restricted to Specific Programs	5,792,313
Earnings on Investments	5,653
Miscellaneous	159,868
Total General Cash Receipts	<u>12,295,819</u>
Change in Net Position	283,841
Net Position - Beginning of Year	5,189,358
Net Position - End of Year	<u>\$ 5,473,199</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF ASSETS AND FUND BALANCES – CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Equity in Pooled Cash and Cash Equivalents	\$ 3,154,981	\$ 569,095	\$ 1,109,738	\$ 496,238	\$ 5,330,052
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	143,147	-	-	-	143,147
Total Assets	<u>\$ 3,298,128</u>	<u>\$ 569,095</u>	<u>\$ 1,109,738</u>	<u>\$ 496,238</u>	<u>\$ 5,473,199</u>
Fund Balances:					
Restricted	143,147	569,095	1,109,738	496,238	2,318,218
Assigned	73,402	-	-	-	73,402
Unassigned	3,081,579	-	-	-	3,081,579
Total Fund Balances	<u>\$ 3,298,128</u>	<u>\$ 569,095</u>	<u>\$ 1,109,738</u>	<u>\$ 496,238</u>	<u>\$ 5,473,199</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES -
CASH BASIS – GOVERNMENTAL FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2015**

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
RECEIPTS					
Property Taxes	\$ 3,061,717	\$ 905,853	\$ -	\$ -	\$ 3,967,570
Intergovernmental	5,707,729	129,495	-	937,907	6,775,131
Earnings on Investments	4,331	-	-	1,322	5,653
Tuition	739,603	-	-	-	739,603
Extracurricular Activities	-	-	-	74,477	74,477
Charges for Services	-	-	-	186,148	186,148
Contributions and Donations	-	-	-	4,365	4,365
Income Taxes	2,194,707	-	-	62,000	2,256,707
Payments in Lieu of Taxes	113,708	-	-	-	113,708
Miscellaneous	134,452	-	-	25,416	159,868
Total Receipts	<u>11,956,247</u>	<u>1,035,348</u>	<u>-</u>	<u>1,291,635</u>	<u>14,283,230</u>
DISBURSEMENTS					
Current:					
Instruction:					
Regular	5,005,273	-	-	47,303	5,052,576
Special	1,019,635	-	-	494,199	1,513,834
Vocational	8,719	-	-	-	8,719
Other	1,777	-	-	-	1,777
Support Services:					
Pupils	951,576	-	-	145,754	1,097,330
Instructional Staff	208,240	-	-	4,645	212,885
Board of Education	47,382	-	-	-	47,382
Administration	963,522	-	-	26,970	990,492
Fiscal Services	268,873	-	-	-	268,873
Business	248,334	19,530	-	-	267,864
Operation and Maintenance of Plant	1,094,007	-	-	51,425	1,145,432
Pupil Transportation	776,522	-	-	9,824	786,346
Central	4,507	-	-	-	4,507
Operation of Non-Instructional Services:					
Food Service Operations	1,166	-	-	504,912	506,078
Community Services	-	-	-	2,626	2,626
Extracurricular Activities	310,265	-	-	114,102	424,367
Capital Outlay	-	-	-	8,315	8,315
Debt Service:					
Principal Retirement	-	191,855	-	-	191,855
Interest and Fiscal Charges	-	1,459,202	-	-	1,459,202
Total Disbursements	<u>10,909,798</u>	<u>1,670,587</u>	<u>-</u>	<u>1,410,075</u>	<u>13,990,460</u>
Excess of Receipts Over (Under) Disbursements	<u>1,046,449</u>	<u>(635,239)</u>	<u>-</u>	<u>(118,440)</u>	<u>292,770</u>
OTHER FINANCING SOURCES (USES)					
Advances In	-	-	-	25,960	25,960
Advances Out	(25,960)	-	-	-	(25,960)
Transfers In	-	510,000	-	24,491	534,491
Transfers Out	(543,420)	-	-	-	(543,420)
Total Other Financing Sources (Uses)	<u>(569,380)</u>	<u>510,000</u>	<u>-</u>	<u>50,451</u>	<u>(8,929)</u>
Net Change in Fund Balances	477,069	(125,239)	-	(67,989)	283,841
Fund Balances - Beginning of Year	2,821,059	694,334	1,109,738	564,227	5,189,358
Fund Balances - End of Year	<u>\$ 3,298,128</u>	<u>\$ 569,095</u>	<u>\$ 1,109,738</u>	<u>\$ 496,238</u>	<u>\$ 5,473,199</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - (BUDGET BASIS) -
GENERAL FUND
FOR FISCAL YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Receipts				
Property Taxes	\$ -	\$ -	\$ 3,061,717	\$ 3,061,717
Income Taxes	-	-	2,194,707	2,194,707
Intergovernmental	-	-	5,707,729	5,707,729
Earnings on Investments	-	-	4,331	4,331
Tuition	-	-	739,603	739,603
Payment in Lieu of Taxes	-	-	113,708	113,708
Miscellaneous	-	-	101,455	101,455
Total Receipts	-	-	11,923,250	11,923,250
Disbursements				
Current:				
Instruction				
Regular	5,752,990	5,762,990	5,008,053	754,937
Special	982,749	982,749	1,024,439	(41,690)
Vocational	(11,665)	(11,665)	8,719	(20,384)
Other	1,625	1,625	1,777	(152)
Support Services				
Pupils	801,125	801,125	954,100	(152,975)
Instructional Staff	195,336	195,336	208,240	(12,904)
Board of Education	24,961	24,961	47,457	(22,496)
Administration	824,872	824,872	931,037	(106,165)
Fiscal Services	239,681	239,681	268,873	(29,192)
Business	231,759	231,759	258,155	(26,396)
Operation and Maintenance of Plant	1,000,804	1,000,804	1,126,264	(125,460)
Pupil Transportation	777,102	777,102	781,281	(4,179)
Central	3,910	3,910	4,507	(597)
Operation of Non-Instructional Services				
Food Service Operations	1,166	1,166	1,166	-
Extracurricular Activities				
Sport Oriented Activities	142,265	142,265	158,356	(16,091)
Co-Curricular Activities	88,405	88,405	151,909	(63,504)
Total Disbursements	11,057,085	11,067,085	10,934,333	132,752
Excess of Receipts Over(Under) Disbursements	(11,057,085)	(11,067,085)	988,917	12,056,002
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	-	-	3,985	3,985
Advances Out	(10,938)	(10,938)	(25,960)	(15,022)
Transfers Out	(578,223)	(578,223)	(543,420)	34,803
Total Other Financing Sources (Uses)	(589,161)	(589,161)	(565,395)	23,766
Net Change in Fund Balance	(11,646,246)	(11,656,246)	423,522	12,079,768
Fund Balance - Beginning of Year	2,654,958	2,654,958	2,654,958	-
Prior Year Encumbrances Appropriated	146,246	146,246	146,246	-
Fund Balance - End of Year	\$ (8,845,042)	\$ (8,855,042)	\$ 3,224,726	\$ 12,079,768

See accompanying notes to the basic financial statements.

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

**STATEMENT OF NET POSITION – CASH BASIS
PROPRIETARY FUND
JUNE 30, 2015**

	<u>Governmental Activities Internal Service Fund</u>
ASSETS	
Equity in Pooled Cash and Cash Equivalents	\$ -
NET POSITION	
Unrestricted	\$ -

See accompany notes to the basic financial statements.

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION –
CASH BASIS - PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Governmental Activities
	Internal Service Fund
OPERATING RECEIPTS	
Charges for Services	\$ 90,245
Total Operating Receipts	90,245
OPERATING DISBURSEMENTS	
Purchased Services	99,174
Total Operating Disbursements	99,174
Operating Loss	(8,929)
Transfers In	8,929
Change in Net Position	-
Net Position - Beginning of Year	-
Net Position - End of Year	\$ -

See accompany notes to the basic financial statements.

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

**STATEMENT OF NET POSITION – CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2015**

	Private Purpose Trust	Agency
<u>Assets</u>		
Equity in Pooled Cash and Cash Equivalents	\$ 19,272	\$ 32,665
Total Assets	19,272	32,665
Net Position		
Held in Trust for Scholarships	19,272	-
Held on Behalf of Students	-	32,665
Total Net Position	\$ 19,272	\$ 32,665

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CHANGES IN NET POSITION – CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Private Purpose Trust</u>
<u>Additions</u>	
Interest	\$ 13
Miscellaneous	3,944
Total Additions	<u>3,957</u>
<u>Deductions</u>	
Scholarships Awarded	<u>600</u>
Change in Net Position	3,357
Net Position - Beginning of Year	<u>15,915</u>
Net Position - End of Year	<u><u>\$ 19,272</u></u>

See accompanying notes to the basic financial statements.

LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO

Notes to the Basic Financial Statements

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1: REPORTING ENTITY

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

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

The District is staffed by 76 non-certified employees and 79 certified full-time teaching personnel, who provide services to 1,084 students and other community members. The District currently operates 1 instructional building and 1 garage.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading.

A. Primary Government

The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Lakota Local School District, this includes the agencies and departments that provide the following services: general operations, food service, and student related activities of the District.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. The District is also financially accountable for any organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the District, are accessible to the District, and are significant in amount to the District. The District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

The District is associated with two jointly governed organizations and two insurance purchasing pools.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

NOTE 1: **REPORTING ENTITY** (Continued)

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

JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Educational Computer Association

The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of public school districts within the boundaries of Erie, Huron, Ottawa, Sandusky, and Seneca counties and the cities of Fremont, Huron, Sandusky, Norwalk, Bellevue, Port Clinton, Fostoria, and Tiffin. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member Districts. The superintendent of each district is on the Board of Trustees. Financial information is available from Matt Bauer, who serves as controller, at 1210 E. Bogart Rd., Sandusky, Ohio 44870.

Vanguard-Sentinel Career and Technology Centers

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

INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

Jefferson Health Plan

The District is a participant with several other school districts in an insurance purchasing pool to operate the Jefferson Health Plan (the Plan). The Plan was formed for the purpose of providing insurance. The Plan is governed by a Board of Directors consisting of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board.

The District's management believes these financial statements present all activities for which the District is financially accountable.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2 C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

The District's basic financial statements consist of government-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The District does not have any business-type activities.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. **Basis of Presentation** (Continued)

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. **Fund Accounting**

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

GOVERNMENTAL FUNDS

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds.

The following are the District's major governmental funds:

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

Bond Retirement Fund - This fund is provided for the retirement of serial bonds and short term notes and loans. All revenue derived from general or special levies, either within or exceeding the ten-mill limitation, which is levied for debt charges on bonds, notes, or loans, shall be paid into this fund.

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

Other governmental funds of the District are used to account grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUND

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

FIDUCIARY FUNDS

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature. The District's Agency Fund accounts for student activities and a tournament fund.

C. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the District are described in the appropriate section in this note.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected), certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities), and deferred inflows/outflows of resources are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been given the authority to allocate Board appropriations to the function and object level within all funds without resolution by the Board of Education.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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

E. Cash and Investments

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

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

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

During fiscal year 2015, investments were limited to STAR Ohio and a U.S. Government money market mutual fund. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for at June 30, 2015. The U.S. Government money market mutual fund is recorded at the amounts reported by Ross, Sinclair & Associates, LLC at June 30, 2015.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2015 was \$4,331, which included \$1,042 assigned from other District funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. See Note 15 for further details on the District's restricted assets.

G. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Interfund Receivables/Payables

The District reports advances-in and advances-out for interfund loans approved by the Board. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 12 and 13, the employer contributions include portions for pension benefits and for postretirement health care benefits.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

L. Long-Term Obligations

The District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

M. Net Position

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide Statement of Net Position reports restricted net position of \$2,318,218. The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

N. Fund Balance

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

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are not spendable in form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned. This fund balance classification was not utilized in fiscal year 2015.

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

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District's Board of Education. Those committed amounts cannot be used for any other purpose unless the District's Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. This fund balance classification was not utilized in fiscal year 2015.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance (Continued)

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts would represent intended uses established by the District’s Board of Education.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In the other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

O. Interfund Transactions

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

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

P. Pensions

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

NOTE 3: CHANGES IN ACCOUNTING PRINCIPLES

GASB Statement Number 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2014 and have been implemented by the District. Due to the District's basis of accounting, the implementation of this Statement does not impact the District's financial statements; however the note disclosures for pension plans and post-employment benefits have been impacted.

GASB Statement Number 69, *Government Combinations and Disposals of Government Operations*. The objective of this Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2013 and have been implemented by the District but did not impact the District's financial statements or note disclosures.

GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – and amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The requirements of this Statement should be applied simultaneously with the provisions of Statement No. 68 and have been implemented by the District. Due to the District's basis of accounting, the implementation of this Statement does not impact the District's financial statements.

NOTE 4: COMPLIANCE

Legal Compliance

Ohio Administrative Code Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

NOTE 4: COMPLIANCE (Continued)

Contrary to Ohio Revised Code Section 5705.36, the District did not obtain an amended certificate of estimated resources, which caused appropriations in all funds to exceed estimated resources, which is contrary to Ohio Revised Code Section 5705.39.

NOTE 5: FUND BALANCES

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

Fund Balances	General	Bond Retirement	Classroom Facilities	Nonmajor Governmental Funds	Total
<i>Restricted for</i>					
Capital Improvements	\$ -	\$ -	\$ 1,109,738	\$ 76,854	\$ 1,186,592
Debt Services	-	569,095	-	-	569,095
Classroom Facilities Maintenance	-	-	-	228,305	228,305
Locally Funded Programs	-	-	-	23,072	23,072
State Funded Programs	-	-	-	70,516	70,516
Federally Funded Programs	-	-	-	51,467	51,467
Food Services	-	-	-	34,116	34,116
District Managed Student Activities	-	-	-	11,908	11,908
Capital Set-Aside	143,147	-	-	-	143,147
<i>Total Restricted</i>	<u>143,147</u>	<u>569,095</u>	<u>1,109,738</u>	<u>496,238</u>	<u>2,318,218</u>
<i>Assigned to</i>					
Public School	16,382	-	-	-	16,382
Purchases on Order	57,020	-	-	-	57,020
<i>Total Assigned</i>	<u>73,402</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,402</u>
<i>Unassigned</i>	3,081,579	-	-	-	3,081,579
Total Fund Balances	<u><u>\$ 3,298,128</u></u>	<u><u>\$ 569,095</u></u>	<u><u>\$ 1,109,738</u></u>	<u><u>\$ 496,238</u></u>	<u><u>\$ 5,473,199</u></u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

NOTE 6: BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a component of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$57,020. Per GASB Statement No. 54, the Principal's Fund is combined with the General Fund on the cash basis statements, but is reported separately for budgetary purposes. This combining of the Principal's Fund resulted in an increase in cash basis receipts, cash disbursements, and ending fund balance of \$29,012, \$32,485, and \$16,382, respectively.

NOTE 7: DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

NOTE 7: DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in divisions (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper and bankers' acceptances if training requirements have been met.

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

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

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$805,236 of the District's bank balance of \$1,084,110 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)

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

Investments

As of June 30, 2015, the District had the following investments and maturities:

Investments	Carrying Vallue	Investment Maturities One Year or Less
STAR Ohio	\$ 2,966,074	\$ 2,966,074
Money Market Mutual Fund	1,517,046	1,517,046
Totals	\$ 4,483,120	\$ 4,483,120

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

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

Credit Risk STAR Ohio carries a rating of AAAM by Standard & Poor’s. The money market mutual fund carries a rating of AAA 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 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, 2015:

Investments	Carrying Vallue	Concentration of Credit Risk
STAR Ohio	\$ 2,966,074	66.16%
Money Market Mutual Fund	1,517,046	33.84
Totals	\$ 4,483,120	100.00%

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

NOTE 8: PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax receipts received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax receipts received in calendar year 2015 represent the collection of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected in 2015 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Sandusky, Wood, and Seneca counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 was \$501,637 in the General Fund and \$136,433 in the Bond Retirement Fund (a nonmajor governmental fund). The amount available for advance at June 30, 2014 was \$448,511 in the General Fund and \$130,227 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.

The assessed value upon which the fiscal year 2015 taxes were collected is:

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 141,015,300	95.30%	\$ 166,170,730	95.92%
Public Utility Personal	6,951,550	4.70	7,065,590	4.08
Total	<u>\$ 147,966,850</u>	<u>100.00%</u>	<u>\$ 173,236,320</u>	<u>100.00%</u>
 Tax Rate per \$1,000 of Assessed Valuation	 <u>\$ 42.70</u>		 <u>\$ 42.70</u>	

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

NOTE 9: INCOME TAX

The District levies a voted tax of 1.00 percent for general operations on the income of residents and of estates. The tax was approved by voters in March 2004, and is a continuing tax. In November 2007, voters approved an additional 0.5 percent income tax for general operations to help with the construction of the new Pre-K through 12 school building. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the general fund and the classroom facilities maintenance fund which totaled \$2,194,707 and \$62,000, respectively, for fiscal year 2015.

NOTE 10: INTERFUND TRANSACTIONS

During fiscal year 2015, the General Fund transferred \$510,000 to the Bond Retirement Debt Service Fund to pay for the debt payments associated with long-term debt obligations, \$24,491 to the District Managed Student Activities Fund to cover expenditures exceeding receipts, and \$8,929 to the Internal Service Fund.

During fiscal year 2015, the General Fund advanced \$25,960 to the Title I School Improvement Stimulus A Fund (a nonmajor special revenue fund). This advance was used to cover current operating expenditures related to the grant until reimbursement is received.

As of June 30, 2014, the District had advanced \$12,153 from the General Fund to the Early Childhood Fund (a nonmajor special revenue fund) of which has not been repaid as of June 30, 2015.

NOTE 11: RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the District contracted with Ohio Casualty to purchase insurance policies for the following exposures: various property coverage, general liability coverage, crime coverage, inland marine coverage, automobile coverage, and umbrella coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. Also, the District has not materially reduced its coverage in the past year.

B. Workers' Compensation Plan

For fiscal year 2015, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 1B). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

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

C. **Employee Group Life Insurance**

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

D. **Dental Self-Insurance**

Dental insurance is offered to employees through a self-insured program. The General Fund of the District participates in the program and make payments to the Dental Self-Insurance Internal Service fund. 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. During FY2015, the District transferred \$8,929 into the Internal Service Fund from the General Fund to help cover dental claims.

E. **Employee Group Medical**

Medical insurance is offered to employees through a Self-Insurance Internal Service Fund. The District is a member of the Jefferson Health Plan, a claims servicing pool, consisting of 74 school districts within the State, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. The premium for family coverage is \$2,287.39 (Plan I) and \$1,904.48 (Plan II). The premium for single coverage is \$836.66 (Plan I) and \$696.63 (Plan II). The Board pays 90 percent of the premium for certified employees; the percentage the Board pays for the non-certified employees varies.

Post-employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the District.

NOTE 12: **PENSION PLANS**

Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$3,135,710	\$9,164,255	\$12,299,965
Proportion of the Net Pension Liability	0.061959%	0.03767661%	

Actuarial Assumptions - SERS

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation:	3.25 percent
Future Salary Increases, including inflation:	4.00 percent to 22 percent
COLA or Ad Hoc COLA:	3 percent
Investment Rate of Return:	7.75 percent net of investments expense, including inflation
Actuarial Cost Method:	Entry Age Normal

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

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

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$4,474	\$3,136	\$2,010

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)

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

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

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

Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$13,120	\$9,164	\$5,819

A. School Employees Retirement System

Plan Description – District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$263,700 for fiscal year 2015.

B. State Teachers Retirement System of Ohio

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS 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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)

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

B. State Teachers Retirement System of Ohio (Continued)

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$527,946 for fiscal year 2015.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

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

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, 2015, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13: **POST-EMPLOYMENT BENEFITS**

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$31,200.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)

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

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

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$47,445, \$33,748, and \$33,006, respectively. For fiscal year 2015, 91.52 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

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

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

Funding Policy – Ohio Revised Code Chapter 3307 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$36,762, and \$36,037 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

NOTE 14: LONG-TERM OBLIGATIONS

A. Governmental Activities

During fiscal year 2015, the following changes occurred in governmental activities' long-term obligations:

	Balance Outstanding 6/30/2014	Additions	Reductions	Balance Outstanding 6/30/2015	Due Within One Year
Governmental Activities:					
<u>General Obligation Bonds</u>					
Series 2008A Issue:					
Current Interest Bonds	\$ 8,665,000	\$ -	\$ -	\$ 8,665,000	\$ 270,000
Capital Appreciation Bonds	92,130	-	(92,130)	-	-
Accreted Interest	138,715	39,155	(177,870)	-	-
Series 2008B Issue:					
Current Interest Bonds	2,035,000	-	-	2,035,000	65,000
Capital Appreciation Bonds	3,983	-	(3,983)	-	-
Accreted Interest	39,175	21,842	(61,017)	-	-
Series 2008C Issue:					
Current Interest Bonds	5,985,000	-	-	5,985,000	-
Capital Appreciation Bonds	176,529	-	(95,742)	80,787	80,787
Accreted Interest	290,893	85,959	(204,258)	172,594	-
Total General Obligation Bonds Payable	<u>17,426,425</u>	<u>146,956</u>	<u>(635,000)</u>	<u>16,938,381</u>	<u>415,787</u>
Unamortized Premium on Bond Issue	567,774	-	(31,190)	536,584	-
Total Long-Term Obligations	<u>\$ 17,994,199</u>	<u>\$ 146,956</u>	<u>\$ (666,190)</u>	<u>\$ 17,474,965</u>	<u>\$ 415,787</u>

B. General Obligation Bonds

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

NOTE 14: LONG-TERM OBLIGATIONS (Continued)

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

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

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

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

For the Year Ending June 30,	Total Current Interest Bonds			Total Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 335,000	\$ 338,685	\$ 673,685	\$ 80,787	\$ 219,213	\$ 300,000
2017	645,000	664,297	1,309,297	-	-	-
2018	670,000	638,741	1,308,741	-	-	-
2019	700,000	612,115	1,312,115	-	-	-
2020	725,000	584,115	1,309,115	-	-	-
2021-2025	4,095,000	2,461,232	6,556,232	-	-	-
2026-2030	4,980,000	1,572,195	6,552,195	-	-	-
2031-2035	3,795,000	605,593	4,400,593	-	-	-
2036	740,000	31,625	771,625	-	-	-
Total	\$ 16,685,000	\$ 7,508,598	\$ 24,193,598	\$ 80,787	\$ 219,213	\$ 300,000

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)

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

C. **Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. The Code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1 percent of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2015, resulted in no remaining voted debt margin and an unvoted debt margin of \$173,236.

NOTE 15: **SET-ASIDE REQUIREMENTS**

The District is required by State law to set aside certain General Fund amounts, as defined, into various reserves. These set-asides are calculated and presented on a cash basis. During the fiscal year ended June 30, 2015, the set-aside activity was as follows:

	Capital Improvements
Set-aside Balance as of June 30, 2014	\$ 83,002
Current Year Set-aside Requirement	182,357
Current Year Qualifying Expenditures	(122,212)
Totals	\$ 143,147
Balance Carried Forward to Fiscal Year 2016	\$ 143,147
Set-aside Balance as of June 30, 2015	\$ 143,147

NOTE 16: **CONTINGENCIES**

A. **Grants**

The School District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

B. **Litigation**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

NOTE 16: **CONTINGENCIES** (Continued)

C. State Foundation Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

This page intentionally left blank.

**LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY**

**FEDERAL AWARDS EXPENDITURE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education</i>		
Child Nutrition Cluster:		
National School Lunch Program		
Non-Cash Assistance (Food Distribution)	10.555	\$ 30,714
Cash Assistance	10.555	214,897
Total National School Lunch Program		245,611
School Breakfast Program	10.553	60,081
Total U.S. Department of Agriculture - Nutrition Cluster		305,692
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education</i>		
Title I Grants to Local Educational Agencies	84.010	277,845
Migrant Education State Grant Program	84.011	140,475
Special Education Grant Cluster:		
Special Education - Grants to States	84.027	247,094
Special Education - Preschool Grants	84.173	12,160
Total Special Education Grant Cluster		259,254
Improving Teacher Quality State Grants	84.367	47,303
Total U. S. Department of Education		724,877
Total Federal Awards Expenditures		\$ 1,030,569

The accompanying notes are an integral part of this schedule.

**LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditure Schedule (the Schedule) reports Lakota Local School District's (the District's) federal award programs' disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lakota Local School District, Sandusky County, Ohio (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 18, 2016, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-002 and 2015-003 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2015-001 and 2015-002.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

February 18, 2016



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Lakota Local School District, Sandusky County, Ohio's, (the District's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Nutrition Cluster

As described in finding 2015-005 in the accompanying schedule of findings, the District did not comply with requirements regarding procurement applicable to its Nutrition Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

Qualified Opinion on Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Nutrition Cluster* paragraph, Lakota Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its Nutrition Cluster for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as item 2015-004. This finding did not require us to modify our compliance opinion on the major federal program.

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

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2015-004 and 2015-005 to be material weaknesses.

The District's responses to our internal control over compliance findings are described in the accompanying schedule of findings and corrective action plan. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

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

Dave Yost
Auditor of State

Columbus, Ohio

February 18, 2016

This page intentionally left blank.

**LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster: CFDA #10.553 – School Breakfast Program and CFDA #10.555 – National School Lunch Program
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2015-001

Noncompliance Citation

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

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

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

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

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

FINDING NUMBER 2015-002

Noncompliance Citation and Material Weakness

Ohio Rev. Code § 5705.36 provides that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year. The budget commission, taking into consideration the balances and revenues to be derived from taxation and other sources, shall revise its estimate of the amounts that will be credited to each fund from such sources, and shall certify to the taxing authority of each subdivision an amended official certificate of estimated resources.

The District did not submit the certification required above to the county auditor, and therefore never received an amended official certificate of estimated resources from the budget commission.

The District did record a revenue budget of \$11,900,000 on their accounting system and the Statement of Receipts, Disbursements, and Changes in Fund Balances – Budget and Actual – General Fund, but this was adjusted to show budget receipts as \$0 to reflect that they were not legally adopted.

Ohio Rev. Code § 5705.39 provides that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as “estimated resources” because it includes unencumbered fund balances.

Permanent appropriations were adopted by the Board on June 9, 2014; however, since the District never certified its balances as noted above and never obtained an amended certificate of estimated resources certified by the budget commission, appropriations exceeded estimated resources in all funds by the total value of appropriations for the year.

Allowing appropriations to remain higher than estimated resources increases the possibility appropriations may be unrealistically inflated which could result in deficit spending.

This error was a result of inadequate policies and procedures in reviewing and approving budgetary information. The accompanying financial statements, notes and accounting records have been adjusted to correct this error. To reduce the possibility of appropriations exceeding estimated resources, we recommend the District file amended certificates of estimated resources with the County Auditor which are then approved by the County Budget Commission. We also recommend the Board monitor appropriations and estimated resources throughout the year to ensure appropriations do not exceed the amount of estimated resources.

FINDING NUMBER 2015-003

Material Weakness

Financial Reporting

The District’s management is responsible for the fair presentation of the financial statements. In addition, GASB Statement No. 54 requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources. An error was noted in the financial statements that resulted in the following audit adjustment:

- Unassigned fund balance of \$1,300,000 was improperly recorded as Assigned within the General fund.

This error was the result of inadequate policies and procedures in reviewing the financial statements. The accompanying financial statements, notes to the financial statements, and accounting records have been adjusted to correct this error. To ensure the District’s financial statements and notes to the statements are complete and accurate, the District should adopt policies and procedures, including a final review of the annual report by the Treasurer and Board of Education to identify and correct errors, omissions, and misclassifications.

Officials’ Response:

The audit findings were based on what took place under the previous treasurer. The school district had not had a state audit in many years and that may have aided in some of the issues not being to state standards. We are currently working on addressing all of these issues and having each of your recommendations put in place prior to the close of this fiscal year. The appropriations and resources issues of not filing with the county auditor have already been taken care of.

3. FINDINGS FOR FEDERAL AWARDS

1. Federal Awards Expenditure Schedule

Finding Number	2015-004
CFDA Title and Number	National School Lunch Program CFDA #10.555
Federal Award Number / Year	2014 and 2015
Federal Agency	U.S. Department of Agriculture
Pass-Through Agency	Ohio Department of Education

Noncompliance and Material Weakness

OMB Circular A133 §__.300 provides the auditee shall:

- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.
- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
- (c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.
- (d) Prepare appropriate financial statements, including the schedule of receipts and expenditures of Federal awards in accordance with §__.310.

The District did prepare its Federal Awards Expenditures Schedule (the Schedule). However, the following material error was noted with a major program:

- National School Lunch Program including Commodities was understated by \$25,390;

We also noted similar errors in some non-major programs.

Inaccurate completion of the Schedule could lead to inaccurate reporting of federal expenditures by the District. Adjustments were made to the District's Schedule as noted above.

The Treasurer should be knowledgeable of the federal programs and the requirements should be understood. We recommend the District implement policies and procedures, including a final review of the Schedule to ensure the Schedule is accurately completed.

Officials' Response:

See corrective action plan.

2. Procurement

Finding Number	2015-005
CFDA Title and Number	National School Lunch Program CFDA #10.555 and; School Breakfast Program CFDA # 10.553
Federal Award Number / Year	2014 and 2015
Federal Agency	U.S Department of Agriculture
Pass-Through Agency	Ohio Department of Education

Noncompliance and Material Weakness

7 CFR § 3016.36 provides federal procurement standards which are required for the National School Lunch, School Breakfast and School Milk programs. The requirement provides that every procurement of food, supplies, including management company services, must be accomplished in a way that the school can document that everything possible and practical is done to maximize open and free competition and to get the lowest price for the desired product or service. All vendors with the potential for supplying a desired product or service must have an equal opportunity to be aware of the school's needs and submit price quotations or formal bids or proposals. A minimum of three quotations should be secured.

The District was unable to provide any support that bids or quotations were obtained for 18.75% of the disbursements sampled for the nutrition cluster. The failure to follow federal procurement standards was a result of inadequate policies and procedures over procurement for the nutrition cluster.

Failure to follow federal procurement standards could result in the District obtaining goods or services that are not the lowest price possible. We recommend the District follow the competitive bidding guidelines or small purchase procedures outlined by the Ohio Department of Education in the Office for Child Nutrition "Summary of Federal Procurement Standards" guidance.

Officials' Response:

See corrective action plan.

**LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03 (B) for reporting on a basis other than generally accepted accounting principles.	No	Not Corrected. Repeated in this report as finding 2015-001.
2014-002	Ohio Rev. Code § 5705.10(H) for negative fund balances.	No	Partially Corrected. Repeated in the management letter.
2014-003	Ohio Rev. Code § 3313.46 for not following competitive bidding requirements.	Yes	

**LAKOTA LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2015**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2015-004	We will ensure all correct amounts are included on the federal schedule; since commodities are not a financial amount included on the USAS system we will make sure the commodities documentation is available for the auditors with the federal schedule.	6/30/2016	Michelle Guzman, Food Service Director
2015-005	All required bids and quotes will be obtained and documented. The documentation will be maintained and made available to the auditors.	6/30/2016	Michelle Guzman, Food Service Director

This page intentionally left blank.



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 17, 2016