



Dave Yost • Auditor of State

**LAKE LOCAL SCHOOL DISTRICT
STARK COUNTY
JUNE 30, 2017**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	17
Statement of Activities.....	18
Fund Financial Statements:	
Balance Sheet	
Governmental Funds	19
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) General Fund.....	23
Statement of Fund Net Position	
Proprietary Fund.....	24
Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Fund.....	25
Statement of Cash Flows	
Proprietary Fund.....	26
Statement of Fiduciary Assets and Liabilities	
Fiduciary Funds	27
Notes to the Basic Financial Statements	28
Required Supplementary Information:	
Schedule of the School District's Proportionate Share of the Net Pension Liability	63
Schedule of the School District's Contributions	64

**LAKE LOCAL SCHOOL DISTRICT
STARK COUNTY
JUNE 30, 2017**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Schedule of Receipts and Expenditures of Federal Awards	67
Notes to the Schedule of Receipts and Expenditures of Federal Awards.....	68
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	69
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	71
Schedule of Findings.....	73



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Lake Local School District
Stark County
436 King Church Avenue SW
Uniontown, Ohio 44685

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lake Local School District, Stark County, Ohio (the District), as of and for the year ended June 30, 2017, 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 accounting principles generally accepted in the United States of America; this includes 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 such 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 financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lake Local School District, Stark County, Ohio, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2018, 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 initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

March 8, 2018

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Lake Local School District Stark County, Ohio

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2017 (Unaudited)

The discussion and analysis of the Lake Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers should review the notes to the financial statements as well as the financial statements themselves to enhance their understanding of the School District's finances.

Financial Highlights

Key financial highlights for 2017 are as follows:

- Net position increased \$0.7 million, or 4 percent in governmental activities from fiscal year 2016. Net position in the business-type activities increased \$5,634.
- Total capital assets increased \$11.5 million during fiscal year 2017. This was primarily related to current year construction in progress relating to the Ohio Facilities Construction Commission project.
- During the fiscal year, outstanding debt obligations decreased from \$56.3 million to \$54.5 million due to principal payments made during fiscal year 2017.

Using this Annual Report

This annual report consists of the MD&A, the basic financial statements and the notes to the basic financial 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 School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Lake Local School District, the general fund and classroom facilities fund are the most significant funds.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2017?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and deferred outflows of resources and liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Lake Local School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

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

In the Statement of Net Position and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- **Governmental Activities** - Most of the School District's programs and services are reported here, including instruction, support services, operation of non-instructional services and extracurricular activities.
- **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District's adult and supplemental education programs, food service, and uniform school supplies are reported as business activities.

The government-wide financial statements begin on page 17.

Reporting the School District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure compliance with finance-related legal requirements. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and classroom facilities fund.

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and classroom facilities fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

Lake Local School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

The School District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements begin on page 19.

Proprietary Funds The School District maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The School District uses enterprise funds to account for its food service, uniform supplies, and adult and supplemental education programs.

The proprietary fund financial statements begin on page 24.

Reporting the School District's Fiduciary Responsibilities

The School District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The School District's fiduciary activities are reported in separate Statement of Fiduciary Assets and Liabilities on page 27. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

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Lake Local School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2017 compared to 2016:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and Other Assets	\$ 97,370,268	\$ 105,364,264	\$ 42,563	\$ 3,499	\$ 97,412,831	\$ 105,367,763
Capital Assets	46,419,578	34,867,348	46,352	57,797	46,465,930	34,925,145
<i>Total Assets</i>	<u>143,789,846</u>	<u>140,231,612</u>	<u>88,915</u>	<u>61,296</u>	<u>143,878,761</u>	<u>140,292,908</u>
Deferred Outflows of Resources						
Pension	10,541,875	4,530,352	89,412	69,432	10,631,287	4,599,784
Liabilities						
Other Liabilities	6,971,035	4,513,670	99,357	75,000	7,070,392	4,588,670
Long-Term Liabilities						
Due Within One Year	2,464,532	2,249,006	10,704	13,771	2,475,236	2,262,777
Due in More Than One Year						
Net Pension Liability	53,667,864	43,003,268	667,880	637,790	54,335,744	43,641,058
Other Amounts	52,777,928	54,773,503	22,330	17,238	52,800,258	54,790,741
<i>Total Liabilities</i>	<u>115,881,359</u>	<u>104,539,447</u>	<u>800,271</u>	<u>743,799</u>	<u>116,681,630</u>	<u>105,283,246</u>
Deferred Inflows of Resources						
Property Taxes	17,182,057	16,775,103	0	0	17,182,057	16,775,103
Deferred Charges on Refunding	1,267,513	1,394,264	0	0	1,267,513	1,394,264
Pension	0	2,800,455	7,149	21,656	7,149	2,822,111
<i>Total Deferred Inflows of Resources</i>	<u>18,449,570</u>	<u>20,969,822</u>	<u>7,149</u>	<u>21,656</u>	<u>18,456,719</u>	<u>20,991,478</u>
Net Position						
Net Investment in Capital Assets	11,590,114	11,110,707	46,352	57,797	11,636,466	11,168,504
Restricted	43,764,426	43,224,880	0	0	43,764,426	43,224,880
Unrestricted	(35,353,748)	(35,082,892)	(675,445)	(692,524)	(36,029,193)	(35,775,416)
<i>Total Net Position</i>	<u>\$ 20,000,792</u>	<u>\$ 19,252,695</u>	<u>\$ (629,093)</u>	<u>\$ (634,727)</u>	<u>\$ 19,371,699</u>	<u>\$ 18,617,968</u>

The District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," and GASB Statement 71 "Pension Transition for Contributions made subsequent to the measurement date—an Amendment of GASB Statement No.68," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Lake Local School District
Stark County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows. The School District is also reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Lake Local School District
Stark County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

At year end, governmental activity capital assets of the School District represented 32 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles, textbooks and construction in progress. Net investment in capital assets was \$11.6 million at June 30, 2017. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$43.8 million, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position is a deficit of \$36 million, which is primarily caused by GASB 68.

Current and other assets in the governmental activities decreased \$8.0 million from fiscal year 2016 due to two primary factors. Cash increased \$8.3 million primarily due to timing differences between receipt of drawdowns and payment of expenses related to the OFCC project. Intergovernmental receivables decreased \$16.7 million which was mainly due to the drawdowns the School District received during fiscal year 2017 from the Ohio Facilities Construction Commission (OFCC). Since the entire grant was recognized in the year it was awarded the receivable decreases each year by the amount of drawdowns the School District received. Nondepreciable capital assets also increased \$12.7 million primarily due to the progression of the OFCC project. There was a correlating increase in contracts payable which constitutes the majority of the increase in current liabilities. This increase is due to the timing of expenses for the OFCC project.

Operations of business-type activities remained fairly constant with prior year resulting in minimal fluctuations from fiscal year 2016 to 2017.

Changes in deferred outflows, net pension liability and deferred inflows were all related to GASB 68, which is based on the performance of the two state pension systems the School District participates.

Lake Local School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Table 2 shows the changes in net position for fiscal year 2017 compared to 2016.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 1,006,265	\$ 1,052,827	\$ 705,305	\$ 669,881	\$ 1,711,570	\$ 1,722,708
Operating Grants	3,480,053	3,431,737	324,455	316,444	3,804,508	3,748,181
Capital Grants	23,736	21,048	0	0	23,736	21,048
Total Program Revenues	4,510,054	4,505,612	1,029,760	986,325	5,539,814	5,491,937
<i>General Revenues:</i>						
Property Taxes	17,133,279	16,081,271	0	0	17,133,279	16,081,271
Income Taxes	0	0	0	0	0	0
Grants and Entitlements	17,721,763	17,733,895	0	0	17,721,763	17,733,895
Grants and Entitlements-OFCC	0	42,034,217	0	0	0	42,034,217
Payments in Lieu of Taxes	49,896	0	0	0	49,896	0
Other	494,178	496,063	1,030	1,139	495,208	497,202
Total General Revenues	35,399,116	76,345,446	1,030	1,139	35,400,146	76,346,585
Total Revenues	39,909,170	80,851,058	1,030,790	987,464	40,939,960	81,838,522
Program Expenses						
<i>Instruction:</i>						
Regular	\$ 16,534,234	\$ 14,718,662	\$ 0	\$ 0	\$ 16,534,234	\$ 14,718,662
Special	4,475,629	4,381,441	0	0	4,475,629	4,381,441
Vocational	571,159	467,475	0	0	571,159	467,475
Other	1,675,574	1,599,274	0	0	1,675,574	1,599,274
<i>Support Services:</i>						
Pupils	2,089,017	1,836,253	0	0	2,089,017	1,836,253
Instructional Staff	1,151,152	1,195,799	0	0	1,151,152	1,195,799
Board of Education	33,968	37,195	0	0	33,968	37,195
Administration	2,411,153	1,703,329	0	0	2,411,153	1,703,329
Fiscal	784,656	718,075	0	0	784,656	718,075
Business	211,161	124,094	0	0	211,161	124,094
Operation and Maintenance of Plant	2,960,341	2,684,470	0	0	2,960,341	2,684,470
Pupil Transportation	2,252,473	1,986,470	0	0	2,252,473	1,986,470
Central	189,531	162,483	0	0	189,531	162,483
<i>Operation of Non-Instructional Services:</i>						
Community Services	642,898	515,459	0	0	642,898	515,459
Extracurricular Activities	1,372,864	1,243,578	0	0	1,372,864	1,243,578
<i>Debt Service:</i>						
Interest and Fiscal Charges	1,772,976	1,621,124	0	0	1,772,976	1,621,124
Issuance Costs	0	334,250	0	0	0	334,250
Enterprise Funds	0	0	1,057,443	1,166,513	1,057,443	1,166,513
Total Expenses	39,128,786	35,329,431	1,057,443	1,166,513	40,186,229	36,495,944
Transfers	(32,287)	(130,000)	32,287	130,000	0	0
Increase (Decrease) in Net Position	748,097	45,391,627	5,634	(49,049)	753,731	45,342,578
<i>Net Position at Beginning of Year</i>	<i>19,252,695</i>	<i>(26,138,932)</i>	<i>(634,727)</i>	<i>(585,678)</i>	<i>18,617,968</i>	<i>(26,724,610)</i>
Net Position at End of Year	\$ 20,000,792	\$ 19,252,695	\$ (629,093)	\$ (634,727)	\$ 19,371,699	\$ 18,617,968

Lake Local School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Net position in the governmental activities increased \$0.7 million from fiscal year 2016. Revenues decreased \$40.9 million, most significantly in grants and entitlements for the OFCC project since 100 percent of revenue from OFCC is recognized in the initial year of project agreement, only partially offset by increase in property tax revenue.

Increases in expenses is primarily the result of increase in pension expense from the School District's proportion of the net pension liability. The decrease in issuance cost is related to the issuance of bonds during the prior fiscal year.

Governmental Activities

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 revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2017	2016	2017	2016
Instruction:				
Regular	\$ 16,534,234	\$ 14,718,662	\$ 16,122,353	\$ 14,313,824
Special	4,475,629	4,381,441	2,158,924	1,987,382
Vocational	571,159	467,475	190,894	127,873
Other	1,675,574	1,599,274	1,675,574	1,599,274
Support Services:				
Pupils	2,089,017	1,836,253	2,063,444	1,809,255
Instructional Staff	1,151,152	1,195,799	1,138,915	1,186,799
Board of Education	33,968	37,195	33,968	37,195
Administration	2,411,153	1,703,329	2,406,853	1,693,404
Fiscal	784,656	718,075	784,656	718,075
Business	211,161	124,094	211,161	124,094
Operation and Maintenance of Plant	2,960,341	2,684,470	2,737,834	2,450,004
Pupil Transportation	2,252,473	1,986,470	2,186,416	1,927,723
Central	189,531	162,483	75,596	37,636
Operation of Non-Instructional Services:				
Community Services	642,898	515,459	50,424	(47,390)
Extracurricular Activities	1,372,864	1,243,578	1,008,744	903,297
Debt Service:				
Interest and Fiscal Charges	1,772,976	1,621,124	1,772,976	1,621,124
Issuance Costs	0	334,250	0	334,250
<i>Total Expenses</i>	\$ 39,128,786	\$ 35,329,431	\$ 34,618,732	\$ 30,823,819

Lake Local School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

The dependence upon general revenues for governmental activities is apparent. Over 88 percent of governmental activities are supported through taxes and other general revenues; such revenues are 89 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Business-Type Activities

Business-type activities include our adult and supplemental education programs, the food service operation and the sale of uniform school supplies. These programs had total revenues and expenses of \$1 million resulting in an increase in net position of \$5,634 for fiscal year 2017. There were no significant fluctuations in operations as compared to the prior year.

Financial Analysis of the Government's Funds

Governmental Funds

Information about the School District's major funds starts on page 19. The net change in fund balances for the fiscal year was an increase of \$6.1 million for all governmental funds.

The general fund's net change in fund balance for fiscal year 2017 was an increase of \$1.8 million due to revenues outpacing expenditures.

The classroom facilities fund was established in fiscal year 2016 to account for the activity of the OFCC construction project. The fund balance increased \$4.3 from timing of drawdowns and project expenditures. The majority of the ending fund balance of \$40.4 million represents unspent debt proceeds from the general obligation bonds issued during fiscal year 2016. This balance will decline in future years as the construction is completed.

General Fund Budgeting Highlights

The School 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 2017, the School District amended its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, actual revenues were \$0.1 million higher than final budget estimates of \$33.5 million. Original budget basis revenues were increased \$0.4 due to increased property taxes and state foundation funding.

Final appropriations of \$32.1 million were only \$0.3 million higher than actual expenditures. Original appropriations were increased \$0.7 million as additional revenues became available.

Lake Local School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the School District had \$46.5 million invested in capital assets. The \$11.5 million increase in capital assets was primarily attributable to construction in progress related to the district-wide facilities project that began in fiscal year 2016 exceeding current year depreciation on existing capital assets. See Note 9 for more information about the capital assets of the School District.

Table 4 shows fiscal year 2017 balances compared with 2016.

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 3,037,257	\$ 3,037,257	\$ 0	\$ 0	\$ 3,037,257	\$ 3,037,257
Construction in Progress	14,936,680	2,239,666	0	0	14,936,680	2,239,666
Land Improvements	125,472	236,217	0	0	125,472	236,217
Buildings and Improvements	27,062,713	28,090,668	0	0	27,062,713	28,090,668
Furniture and Equipment	619,612	625,386	46,352	57,797	665,964	683,183
Vehicles	560,816	561,126	0	0	560,816	561,126
Textbooks	77,028	77,028	0	0	77,028	77,028
<i>Totals</i>	<u>\$ 46,419,578</u>	<u>\$ 34,867,348</u>	<u>\$ 46,352</u>	<u>\$ 57,797</u>	<u>\$ 46,465,930</u>	<u>\$ 34,925,145</u>

Debt

At June 30, 2017, the School District had \$54.5 million in debt outstanding. Total debt obligations decreased \$1.8 million primarily due to principal payments on existing debt partially offset by the School District entering into a new capital lease agreement during fiscal year 2017. See Note 14 for additional details. Table 5 summarizes debt outstanding.

Table 5
Outstanding Debt and Related Charges, at June 30

	Governmental Activities	
	2017	2016
General Obligation Bonds:		
2013 School Improvement Bonds	\$ 3,240,000	\$ 3,465,000
2015 Refunding Bonds	14,940,000	16,230,000
2015 Unamortized Bond Premium	1,129,498	1,227,025
2015 Unlimited Tax Bonds	34,175,000	34,600,000
2015 Unamortized Bond Premium	742,589	751,824
Capital Lease	244,517	0
<i>Total</i>	<u>\$ 54,471,604</u>	<u>\$ 56,273,849</u>

Lake Local School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Current Issues

The Lake Local School District continues to provide and be recognized for providing a quality education for our students in a closely monitored, cost controlled environment. The School District continues to rely on both state revenue and local property taxes for the continued support of public education. During fiscal year 2016-17, 58 percent of the School District's General Fund total revenue was derived from state sources, while 42 percent was derived from local and other sources.

The School District has made significant efforts to achieve the highest level of performance while maintaining a low cost. Based on performance index and expenditure per pupil for the 2016-2017 school year, there were only five school districts in the state of Ohio who performed better but spent less than the School District. The School Board and Administration continue to closely monitor performance in conjunction with revenues and expenditures.

The School District's Performance Index during the past decade has consistently placed us in the top ten percent in the State, with our highest performance placing us in the top five percent. The School District professional development emphasizes transition to the new standards and next generation of assessments with the expectation we will demonstrate a higher rating on each subsequent district report card. Our 2017 district report card reveals a Performance Index grade of B. Our results across all categories rank us first in Stark County. We rank 49 in the State out of 608 districts. This puts us in the top eight percent in performance. Our value added results continue to show that we are making great academic success with all of our students. Our overall district grade for value added was an A. We also scored A's in gifted education and the lowest 20 percent band of students. Additionally, we met all indicators in grades 3 through 7.

The School District has demonstrated a continuing commitment to community partnerships. The concept of a true Community Center has been in place through partnerships with: Stark County YMCA, Stark County Library, Mercy Medical Center, Lake Township Chamber of Commerce and Lake Township Historical Society. The efforts to partner with stakeholders have also been championed by the Strategic Planning Process. As a result of our strategic planning process, our mission statement has been updated to "Educating generations, serving our community" with a vision "To be the leader in addressing the educational, social and physical needs of our students and staff."

Beginning Fall 2014, the School District began a planning process to engage the community to gather input about the future needs of the School District and its facilities. After hosting several community meetings, survey data and input was compiled by a Steering Committee. The Steering Committee decided on a master plan that was recommended to the Superintendent and Board of Education. A three-part ballot issue was placed on the May 2015 ballot for voter approval, and subsequently passed with overwhelming support. The School District is now working with the Ohio Facilities Construction Commission on a School district-wide facility project. In addition to the bond issue, the ballot issue included additional tax levies for permanent improvement, technology and safety and security purposes. During the 2018-2019 school year, all of our students will be in new academic settings. Our K-1 population will transition to our new Lake Primary building. All School District students in grades 2 through 6 will enter a brand new Lake Elementary. Our students in grades 7 through 12 will come together under one roof into a newly renovated High School with an 80,000 square foot addition of new learning space. Our new academic settings will be state of the art, with flexible spaces and furniture, and have access to extended learning areas. Technology in the form of one-to-one computing will be district-wide in all grades. The delivery of content will also continue to evolve into the

Lake Local School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

best practice of student centered learning. Our School District is very excited about the opportunities that these new environments will provide to our students and staff.

All of the School District's resources have and will continue to be focused on doing what is best for our students, and meeting the needs of all of our stakeholders.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Nicole Nichols, Treasurer of Lake Local School District, 436 King Church Avenue SW, Uniontown, OH 44685.

Lake Local School District
Stark County, Ohio
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Investments	\$ 59,364,545	\$ 51,650	\$ 59,416,195
Receivables:			
Accounts	93,113	904	94,017
Intergovernmental	19,379,757	0	19,379,757
Property Taxes	18,522,862	0	18,522,862
Internal Balances	9,991	(9,991)	0
Nondepreciable Capital Assets	17,973,937	0	17,973,937
Depreciable Capital Assets (Net)	28,445,641	46,352	28,491,993
<i>Total Assets</i>	<u>143,789,846</u>	<u>88,915</u>	<u>143,878,761</u>
Deferred Outflows of Resources			
Pension	10,541,875	89,412	10,631,287
Liabilities			
Accounts Payable	110,298	787	111,085
Accrued Wages and Benefits	3,421,881	83,251	3,505,132
Contracts Payable	2,490,668	0	2,490,668
Intergovernmental Payable	565,824	15,319	581,143
Retainage Payable	154,521	0	154,521
Matured Compensated Absences Payable	44,537	0	44,537
Accrued Interest Payable	183,306	0	183,306
Long Term Liabilities:			
Due Within One Year	2,464,532	10,704	2,475,236
Due In More Than One Year:			
Net Pension Liability	53,667,864	667,880	54,335,744
Other Amounts	52,777,928	22,330	52,800,258
<i>Total Liabilities</i>	<u>115,881,359</u>	<u>800,271</u>	<u>116,681,630</u>
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	17,182,057	0	17,182,057
Deferred Charge on Refunding	1,267,513	0	1,267,513
Pension	0	7,149	7,149
<i>Total Deferred Inflows of Resources</i>	<u>18,449,570</u>	<u>7,149</u>	<u>18,456,719</u>
Net Position			
Net Investment in Capital Assets	11,590,114	46,352	11,636,466
Restricted For:			
Capital Outlay	42,047,728	0	42,047,728
Debt Service	1,033,992	0	1,033,992
Athletics	110,154	0	110,154
Auxiliary Programs	4,039	0	4,039
Other Purposes	568,513	0	568,513
Unrestricted	(35,353,748)	(675,445)	(36,029,193)
<i>Total Net Position</i>	<u>\$ 20,000,792</u>	<u>\$ (629,093)</u>	<u>\$ 19,371,699</u>

See the accompanying notes to the basic financial statements.

Lake Local School District
Stark County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction:							
Regular	\$ 16,534,234	\$ 343,956	\$ 67,925	\$ 0	\$ (16,122,353)	\$ 0	\$ (16,122,353)
Special	4,475,629	42,123	2,274,582	0	(2,158,924)	0	(2,158,924)
Vocational	571,159	0	380,265	0	(190,894)	0	(190,894)
Other	1,675,574	0	0	0	(1,675,574)	0	(1,675,574)
Support Services:							
Pupils	2,089,017	0	25,573	0	(2,063,444)	0	(2,063,444)
Instructional Staff	1,151,152	0	12,237	0	(1,138,915)	0	(1,138,915)
Board of Education	33,968	0	0	0	(33,968)	0	(33,968)
Administration	2,411,153	3,914	386	0	(2,406,853)	0	(2,406,853)
Fiscal	784,656	0	0	0	(784,656)	0	(784,656)
Business	211,161	0	0	0	(211,161)	0	(211,161)
Operation and Maintenance of Plant	2,960,341	198,771	0	23,736	(2,737,834)	0	(2,737,834)
Pupil Transportation	2,252,473	0	66,057	0	(2,186,416)	0	(2,186,416)
Central	189,531	96,743	17,192	0	(75,596)	0	(75,596)
Operation of Non-Instructional Services:							
Community Services	642,898	0	592,474	0	(50,424)	0	(50,424)
Extracurricular Activities	1,372,864	320,758	43,362	0	(1,008,744)	0	(1,008,744)
Debt Service:							
Interest and Fiscal Charges	1,772,976	0	0	0	(1,772,976)	0	(1,772,976)
<i>Total Governmental Activities</i>	<u>39,128,786</u>	<u>1,006,265</u>	<u>3,480,053</u>	<u>23,736</u>	<u>(34,618,732)</u>	<u>0</u>	<u>(34,618,732)</u>
Business-Type Activities							
Food Service	1,000,733	631,939	324,455	0	0	(44,339)	(44,339)
Uniform School Supplies	39,922	68,926	0	0	0	29,004	29,004
Supplemental Education	16,788	4,440	0	0	0	(12,348)	(12,348)
<i>Total Business-Type Activities</i>	<u>1,057,443</u>	<u>705,305</u>	<u>324,455</u>	<u>0</u>	<u>0</u>	<u>(27,683)</u>	<u>(27,683)</u>
<i>Totals</i>	<u>\$ 40,186,229</u>	<u>\$ 1,711,570</u>	<u>\$ 3,804,508</u>	<u>\$ 23,736</u>	<u>\$ (34,618,732)</u>	<u>\$ (27,683)</u>	<u>\$ (34,646,415)</u>
General Revenues							
Property Taxes Levied for:							
General Purposes					13,395,276	0	13,395,276
Debt Service					3,147,377	0	3,147,377
Capital Outlay					590,626	0	590,626
Grants and Entitlements Not Restricted to Specific Programs					17,721,763	0	17,721,763
Payments in Lieu of Taxes					49,896	0	49,896
Investment Earnings					276,792	0	276,792
Miscellaneous					217,386	1,030	218,416
<i>Total General Revenues</i>					<u>35,399,116</u>	<u>1,030</u>	<u>35,400,146</u>
Transfers					(32,287)	32,287	0
<i>Change in Net Position</i>					<u>748,097</u>	<u>5,634</u>	<u>753,731</u>
<i>Net Position Beginning of Year</i>					<u>19,252,695</u>	<u>(634,727)</u>	<u>18,617,968</u>
<i>Net Position End of Year</i>					<u>\$ 20,000,792</u>	<u>\$ (629,093)</u>	<u>\$ 19,371,699</u>

See the accompanying notes to the basic financial statements.

Lake Local School District
Stark County, Ohio
Balance Sheet
Governmental Funds
June 30, 2017

	General	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$ 11,520,371	\$ 43,069,184	\$ 4,774,990	\$ 59,364,545
Receivables:				
Accounts	44,488	0	48,625	93,113
Interfund	164,910	0	0	164,910
Intergovernmental	71,248	18,845,552	462,957	19,379,757
Property Taxes	14,322,195	0	4,200,667	18,522,862
<i>Total Assets</i>	<u>\$ 26,123,212</u>	<u>\$ 61,914,736</u>	<u>\$ 9,487,239</u>	<u>\$ 97,525,187</u>
Liabilities				
Accounts Payable	\$ 79,689	\$ 0	\$ 30,609	\$ 110,298
Accrued Wages and Benefits	3,384,764	0	37,117	3,421,881
Contracts Payable	0	2,478,558	12,110	2,490,668
Intergovernmental Payable	542,159	2,470	21,195	565,824
Retainage Payable	0	154,521	0	154,521
Matured Compensated Absences Payable	44,537	0	0	44,537
Interfund Payable	0	0	154,919	154,919
<i>Total Liabilities</i>	<u>4,051,149</u>	<u>2,635,549</u>	<u>255,950</u>	<u>6,942,648</u>
Deferred Inflows of Resources				
Property Taxes Levied for the Next Year	13,269,285	0	3,912,772	17,182,057
Unavailable Revenue	786,492	18,845,552	503,950	20,135,994
<i>Total Deferred Inflows of Resources</i>	<u>14,055,777</u>	<u>18,845,552</u>	<u>4,416,722</u>	<u>37,318,051</u>
Fund Balances				
Restricted	0	40,433,635	4,871,782	45,305,417
Assigned	292,633	0	0	292,633
Unassigned	7,723,653	0	(57,215)	7,666,438
<i>Total Fund Balances</i>	<u>8,016,286</u>	<u>40,433,635</u>	<u>4,814,567</u>	<u>53,264,488</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 26,123,212</u>	<u>\$ 61,914,736</u>	<u>\$ 9,487,239</u>	<u>\$ 97,525,187</u>

See the accompanying notes to the basic financial statements.

Lake Local School District
Stark County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2017

Total Governmental Fund Balances		\$ 53,264,488
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		46,419,578
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 19,184,250	
Property Taxes	<u>951,744</u>	20,135,994
 In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		 (183,306)
 In the statement of activities, a gain/loss on refunding is amortized over the term of the bonds, whereas in governmental funds a refunding gain/loss is reported when bonds are issued		 (1,267,513)
 The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	10,541,875	
Net Pension Liability	<u>(53,667,864)</u>	(43,125,989)
 Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(52,355,000)	
Bond Premium	(1,872,087)	
Capital Lease Obligation	(244,517)	
Compensated Absences	<u>(770,856)</u>	<u>(55,242,460)</u>
 <i>Net Position of Governmental Activities</i>		 <u><u>\$ 20,000,792</u></u>

See the accompanying notes to the basic financial statements.

Lake Local School District
Stark County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 13,462,874	\$ 0	\$ 3,756,386	\$ 17,219,260
Intergovernmental	19,549,465	16,750,315	1,708,567	38,008,347
Investment Income	122,241	150,327	5,223	277,791
Tuition and Fees	350,887	0	16,898	367,785
Extracurricular Activities	207,517	0	232,193	439,710
Rentals	23,771	0	175,000	198,771
Contributions and Donations	23,445	0	90,029	113,474
Payment in Lieu of Taxes	0	0	49,896	49,896
Miscellaneous	216,784	0	602	217,386
<i>Total Revenues</i>	<u>33,956,984</u>	<u>16,900,642</u>	<u>6,034,794</u>	<u>56,892,420</u>
Expenditures				
Current:				
Instruction:				
Regular	14,197,413	0	508,055	14,705,468
Special	3,602,901	0	695,051	4,297,952
Vocational	520,446	0	33,470	553,916
Other	1,675,574	0	0	1,675,574
Support Services:				
Pupils	1,930,956	0	24,429	1,955,385
Instructional Staff	1,059,458	0	25,719	1,085,177
Board of Education	31,829	0	0	31,829
Administration	2,209,402	0	10,312	2,219,714
Fiscal	662,726	34,280	58,657	755,663
Business	206,772	0	0	206,772
Operation and Maintenance of Plant	2,655,214	0	216,693	2,871,907
Pupil Transportation	2,166,569	0	0	2,166,569
Central	129,249	2,470	14,476	146,195
Extracurricular Activities	729,495	0	315,019	1,044,514
Operation of Non-Instructional Services:				
Community Services	3,769	0	619,809	623,578
Capital Outlay	0	12,016,531	676,482	12,693,013
Debt Service:				
Principal Retirement	225,000	0	1,978,123	2,203,123
Interest and Fiscal Charges	92,194	0	1,897,988	1,990,182
<i>Total Expenditures</i>	<u>32,098,967</u>	<u>12,053,281</u>	<u>7,074,283</u>	<u>51,226,531</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,858,017</u>	<u>4,847,361</u>	<u>(1,039,489)</u>	<u>5,665,889</u>
Other Financing Sources (Uses)				
Inception of Capital Lease	0	0	507,640	507,640
Transfers In	19,944	0	503,815	523,759
Transfers Out	(52,231)	(503,815)	0	(556,046)
<i>Total Other Financing Sources (Uses)</i>	<u>(32,287)</u>	<u>(503,815)</u>	<u>1,011,455</u>	<u>475,353</u>
<i>Net Change in Fund Balance</i>	1,825,730	4,343,546	(28,034)	6,141,242
<i>Fund Balances Beginning of Year</i>	<u>6,190,556</u>	<u>36,090,089</u>	<u>4,842,601</u>	<u>47,123,246</u>
<i>Fund Balances End of Year</i>	<u>\$ 8,016,286</u>	<u>\$ 40,433,635</u>	<u>\$ 4,814,567</u>	<u>\$ 53,264,488</u>

See the accompanying notes to the basic financial statements.

**Lake Local School District
Stark County, Ohio**

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2017*

Net Change in Fund Balances - Total Governmental Funds	\$	6,141,242
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	\$ 12,965,924	
Current Year Depreciation	<u>(1,413,694)</u>	11,552,230
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(85,981)	
Intergovernmental	<u>(16,897,269)</u>	(16,983,250)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bonds	1,940,000	
Capital Lease Obligation	<u>263,123</u>	2,203,123
Debt proceeds issued in the governmental funds that increase long-term in the statement of net position are not reported as revenues.		
Capital Lease Obligation		(507,640)
Amortization of bond premiums on bonds are not reported in the fund but are allocated as an expense over the life of the debt in the statement of activities.		
		106,762
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		2,666,494
Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities		
		(4,519,112)
In the statement of activities, interest is accrued on outstanding bonds, and gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	(16,307)	
Amortization of Refunding Loss	<u>126,751</u>	110,444
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		<u>(22,196)</u>
<i>Change in Net Position of Governmental Activities</i>	\$	<u><u>748,097</u></u>

See the accompanying notes to the basic financial statements.

Lake Local School District
Stark County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 13,265,847	\$ 13,428,696	\$ 13,486,920	\$ 58,224
Intergovernmental	19,204,930	19,498,063	19,524,977	26,914
Investment Income	141,802	55,012	144,165	89,153
Tuition and Fees	345,617	378,152	351,377	(26,775)
Extracurricular Activities	74,343	83,496	75,582	(7,914)
Rentals	23,381	32,750	23,771	(8,979)
Miscellaneous	27,479	22,819	27,937	5,118
<i>Total Revenues</i>	<u>33,083,399</u>	<u>33,498,988</u>	<u>33,634,729</u>	<u>135,741</u>
Expenditures				
Current:				
Instruction:				
Regular	13,973,315	14,221,881	14,084,918	136,963
Special	3,562,837	3,647,395	3,612,268	35,127
Vocational	501,107	512,999	508,059	4,940
Other	1,652,645	1,691,868	1,675,574	16,294
Support Services:				
Pupils	1,883,068	1,927,759	1,909,194	18,565
Instructional Staff	1,045,596	1,070,412	1,060,103	10,309
Board of Education	31,692	32,444	32,132	312
Administration	2,205,695	2,258,043	2,236,297	21,746
Fiscal	658,577	674,207	667,714	6,493
Business	173,830	177,956	176,242	1,714
Operation and Maintenance of Plant	2,622,300	2,684,536	2,658,682	25,854
Pupil Transportation	2,085,449	2,134,944	2,114,383	20,561
Central	26,597	27,228	26,966	262
Extracurricular Activities	741,253	758,845	751,537	7,308
Operation of Non-Instructional Services:				
Food Service Operations	6,300	6,449	6,387	62
Debt Service:				
Principal Retirement	225,000	225,000	225,000	0
Interest and Fiscal Charges	92,194	92,200	92,194	6
<i>Total Expenditures</i>	<u>31,487,455</u>	<u>32,144,166</u>	<u>31,837,650</u>	<u>306,516</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,595,944</u>	<u>1,354,822</u>	<u>1,797,079</u>	<u>442,257</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	0	159,221	159,597	376
Transfers In	0	6,749	19,944	13,195
Transfers Out	(65,000)	(110,000)	(106,609)	3,391
<i>Total Other Financing Sources (Uses)</i>	<u>(65,000)</u>	<u>55,970</u>	<u>72,932</u>	<u>16,962</u>
<i>Net Change in Fund Balance</i>	1,530,944	1,410,792	1,870,011	459,219
<i>Fund Balance Beginning of Year</i>	9,171,936	9,171,936	9,171,936	0
Prior Year Encumbrances Appropriated	264,804	264,804	264,804	0
<i>Fund Balance End of Year</i>	<u>\$ 10,967,684</u>	<u>\$ 10,847,532</u>	<u>\$ 11,306,751</u>	<u>\$ 459,219</u>

See the accompanying notes to the basic financial statements.

Lake Local School District
Stark County, Ohio
Statement of Fund Net Position
Proprietary Fund
June 30, 2017

	NonMajor Enterprise Funds
Assets	
<i>Current Assets</i>	
Equity in Pooled Cash and Investments	\$ 51,650
Accounts Receivable	904
<i>Total Current Assets</i>	52,554
<i>Non-Current Assets:</i>	
Depreciable Capital Assets (Net)	46,352
<i>Total Assets</i>	98,906
Deferred Outflow of Resources	
Pension	89,412
Liabilities	
<i>Current Liabilities</i>	
Accounts Payable	787
Accrued Wages and Benefits	83,251
Intergovernmental Payable	15,319
Interfund Payable	9,991
Compensated Absences Payable	10,704
<i>Total Current Liabilities</i>	120,052
<i>Long-Term Liabilities</i>	
Compensated Absences Payable - Net of Current Portion	22,330
Net Pension Liability	667,880
<i>Total Long-Term Liabilities</i>	690,210
<i>Total Liabilities</i>	810,262
Deferred Inflows of Resources	
Pension	7,149
Net Position	
Net Investment in Capital Assets	46,352
Unrestricted	(675,445)
<i>Total Net Position</i>	\$ (629,093)

See the accompanying notes to the basic financial statements.

Lake Local School District
Stark County, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2017

	NonMajor Enterprise Funds
Operating Revenues	
Tuition	\$ 4,440
Sales	700,865
Other	1,030
<i>Total Operating Revenues</i>	706,335
Operating Expenses	
Salaries and Wages	376,805
Fringe Benefits	185,644
Purchased Services	39,481
Materials and Supplies	444,068
Depreciation	11,445
<i>Total Operating Expenses</i>	1,057,443
<i>Operating Income (Loss)</i>	(351,108)
Non-Operating Revenues (Expenses)	
Grants	248,261
Federal Donated Commodities	76,194
<i>Total Non-Operating Revenues (Expenses)</i>	324,455
<i>Income (Loss) Before Transfers</i>	(26,653)
Transfers In	52,231
Transfers Out	(19,944)
<i>Change in Net Position</i>	5,634
<i>Net Position Beginning of Year</i>	(634,727)
<i>Net Position End of Year</i>	\$ (629,093)

See the accompanying notes to the basic financial statements.

Lake Local School District
Stark County, Ohio
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2017

	NonMajor Enterprise Funds
Cash Flows From Operating Activities	
Cash Received from Customers	\$ 700,865
Cash Received from Tuition Payments	4,440
Other Cash Receipts	126
Cash Paid for Goods and Services	(407,254)
Cash Paid for Employee Benefits	(540,565)
<i>Net Cash Provided By (Used For) Operating Activities</i>	(242,388)
Cash Flows From Non-Capital Financing Activities	
Transfers to Other Funds	(19,944)
Transfers from Other Funds	52,231
Interfund from Other Funds	9,991
Grants Received	248,261
<i>Net Cash Provided By (Used For) Non-Capital Financing Activities</i>	290,539
<i>Net Increase (Decrease) in Cash and Investments</i>	48,151
<i>Cash and Investments, Beginning of Year</i>	3,499
<i>Cash and Investments, End of Year</i>	\$ 51,650
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities	
Operating Income (Loss)	\$ (351,108)
Adjustments:	
Depreciation	11,445
Federal Donated Commodities	76,194
(Increase) Decrease Assets/Deferred Outflows of Resources:	
Accounts Receivable	(904)
Deferred Outflows - Pension	(19,980)
Increase (Decrease) in Liabilities/Deferred Inflows of Resources:	
Accounts Payable	101
Accrued Wages and Benefits	23,722
Intergovernmental Payable	534
Compensated Absences Payable	2,025
Net Pension Liability	30,090
Deferred Inflows - Pension	(14,507)
<i>Total Adjustments</i>	108,720
<i>Net Cash Provided By (Used For) Operating Activities</i>	\$ (242,388)

See the accompanying notes to the basic financial statements.

Lake Local School District
Stark County, Ohio
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2017

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Investments	\$ 140,356
Liabilities	
Accounts Payable	\$ 2,503
Undistributed Monies	28,404
Due to Students	109,449
<i>Total Liabilities</i>	<u>\$ 140,356</u>

See the accompanying notes to the basic financial statements.

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 1 - Description of the School District

The Lake Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by the State and federal agencies. The Board of Education controls the School District's five school buildings, community complex, athletic complex, transportation/maintenance facility, and administrative office.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt or the levying of their taxes. The School District has no component units.

The School District participates in a jointly governed organization and two public entity risk pools. These organizations include the Stark/Portage Area Computer Consortium (SPARCC), the Stark County Schools Council of Governments and the Stark County Schools Council of Governments Health Benefit Plan. These organizations are presented in Notes 10 and 17 to the basic financial statements.

The following activity is not part of the reporting entity and is excluded from the accompanying financial statements:

Non-Public School Within the School District's boundaries, Lake Center Christian School is operated by a religious organization. Current state legislation provides funding to this school. The monies are received and disbursed on behalf of the non-public school by the Treasurer of the School District. The accounting of these state monies is reflected as part of the School District's special revenue funds.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The most significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for the three business-type activities of the School District. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise 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.

B. Fund Accounting

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

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

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

Classroom Facilities Fund – The classroom facilities fund is a fund provided to account for monies received and expended in connection with contracts entered into by the School District and the Ohio Facilities Construction Commission for the building and equipping of classroom facilities.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following is the School District's proprietary fund type:

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District reports enterprise operations for food service, uniform school supplies and adult and supplemental education programs.

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

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows and all liabilities and deferred inflows associated with the operation of the School District excluding fiduciary funds are included on the statement of net position.

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

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources, and in the presentation of expenses versus expenditures.

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Inflows of Resources and Deferred Outflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 12.

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, deferred charges on refunding, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12).

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as “federal donated commodities revenue.”

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

E. Cash and Cash Equivalents

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

During fiscal year 2017, investments were limited to STAR Ohio, Federal Farm Credit Bank notes, Federal National Mortgage Association notes, Federal Home Loan Bank notes, Federal Home Loan Mortgage notes, U.S. Treasury Notes, money market and commercial paper. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, Certain External Investment Pools and Pool Participants. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The School District also invests in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance, with no term commitment on deposits.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

Certificates of deposit and repurchase agreements are reported at cost. Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2017 amounted to \$122,241 which includes \$23,907 assigned from other School District funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

F. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	40 - 50 Years	N/A
Buildings and Improvements	10 - 40 Years	N/A
Furniture and Equipment	5 - 20 Years	5 - 20 Years
Vehicles	10 Years	N/A
Textbooks	5 Years	N/A

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

G. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The entire compensated absence liability is reported on the government-wide financial statements.

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated unpaid leave is paid. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

H. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, 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.

I. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and net pension liability will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due.

J. Bond Premiums

In governmental fund types, bond premiums are recognized in the current period. On the statement of net position, bond premiums are deferred and amortized over the term of the bonds. Bond premiums are amortized using the bonds outstanding method. Bond premiums are presented as an addition to the face amount of bonds payable.

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

K. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2017, there was no net position restricted by enabling legislation.

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

L. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” 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.

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 School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has by resolution authorized the treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent fiscal year’s appropriated budget.

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

The School District applies restricted resources first when expenditures 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 expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are tuition for supplemental education, sales for food service including vending and catering, and uniform school supplies. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

N. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. The proprietary funds received no capital contributions during the current fiscal year. In the government-wide financial statements, capital contributions are recorded as capital grants and contributions. In fiscal year 2017, the governmental activities received no capital contributions from outside sources.

O. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds.

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds.

Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2017.

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Q. Estimates

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

R. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. Throughout the fiscal year, the primary level of budgetary control was at the object code level within the general fund. For all other funds, the legal level of control was at the fund level.

On October 25, 2005, the Stark County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15 and the filing by January 20. The Budget Commission now requires an alternate tax budget be submitted by January 20 which no longer requires specific Board approval.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2017.

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

S. Implementation of New Accounting Principles

For the fiscal year ended June 30, 2017, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of this statement did not result in any change in the School District's financial statements as the School District does not have any material GASB Statement No. 77 tax abatements.

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the School District.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the School District.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

Note 3 - Fund Deficits

Fund balances at June 30, 2017 included the following individual fund deficits:

	<u>Deficit Fund Balance</u>
Nonmajor Governmental Funds:	
Miscellaneous State Grants	\$ 590
IDEA B	19,652
Title I Fund	36,973
Nonmajor Enterprise Fund:	
Food Service	680,743

The deficits in these nonmajor funds are the result of adjustments for accrued liabilities and the timing of receipts. The general fund is liable for any deficit in these funds and will provide transfers when cash is required, not when accruals occur.

Note 4 – Fund Balance

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

	General	Classroom Facilities Fund	Other Governmental Funds	Total
Restricted for:				
Debt Service	\$ 0	\$ 0	\$ 1,018,503	\$ 1,018,503
Capital Outlay	0	40,433,635	3,423,135	43,856,770
Student Activities	0	0	110,154	110,154
Facilities Maintenance	0	0	307,630	307,630
Other Purposes	0	0	12,360	12,360
Total Restricted	<u>0</u>	<u>40,433,635</u>	<u>4,871,782</u>	<u>45,305,417</u>
Assigned for:				
Public School Support	114,906	0	0	114,906
Encumbrances:				
Instruction	99,371	0	0	99,371
Support Services	77,229	0	0	77,229
Extracurricular	1,127	0	0	1,127
Total Assigned	<u>292,633</u>	<u>0</u>	<u>0</u>	<u>292,633</u>
Unassigned	<u>7,723,653</u>	<u>0</u>	<u>(57,215)</u>	<u>7,666,438</u>
Total Fund Balance	<u>\$ 8,016,286</u>	<u>\$ 40,433,635</u>	<u>\$ 4,814,567</u>	<u>\$ 53,264,488</u>

Note 5 - Budgetary Basis of Accounting

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

1. Revenues and other sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures and other uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as an assignment of fund balance (GAAP).

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

4. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets (budget).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

GAAP Basis	\$	1,825,730
Net Adjustment for Revenue Accruals		(7,278)
Net Adjustment for Expenditure Accruals		315,428
Funds Budgeted Elsewhere **		(10,783)
Adjustment for Encumbrances		<u>(253,086)</u>
 Budget Basis	 \$	 <u><u>1,870,011</u></u>

** As part of Governmental Accounting Standards Board No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes certain special cost centers in the special trust fund and the public school support fund.

Note 6 - Deposits and Investments

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

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

Inactive deposits are public deposits 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.

Protection of the School 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.

Interim monies to 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;

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate note interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District's deposits may not be returned to it. Protection of School District cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all uninsured public deposits. The face value of the pooled collateral must equal at least 105 percent of uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. These securities, held by the counterparty and not in the School District's name, must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Cash on Hand: At year end, the School District had \$1,000 in undeposited cash on hand which is included on the financial statements of the School District as part of equity in pooled cash and investments.

Deposits: At fiscal year-end, the carrying amount of the School District's deposits was \$3,134,839. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2017, \$2,851,736 of the School District's bank balance of \$3,351,736 was exposed to custodial risk as discussed above, while \$500,000 was covered by the Federal Deposit Insurance Corporation (FDIC).

Investments: Investments are reported at fair value. As of June 30, 2017, the School District had the following investment:

Ratings by S&P Gobel Ratings	Investment Type	Fair Value	Investment Maturities			Percent of Total
			1 Year or Less	12 to 36 Months	36 to 54 Months	
AA+	Federal Farm Credit Bank (FFCB)	\$ 4,578,735	\$ 4,235,636	\$ 343,099	\$ 0	8.12%
AA+	Federal National Mortgage Association (FNMA)	7,872,338	4,049,228	3,578,725	244,385	13.95%
AA+	Federal Home Loan Bank (FHLB)	10,318,292	7,836,947	1,994,160	487,185	18.29%
AA+	Federal Home Loan Mortgage (FHLM)	4,320,352	997,410	2,770,201	552,741	7.66%
	Fidelity Money Market	542,902	542,902	0	0	0.96%
A-1+	Commerical Paper	7,012,340	7,012,340	0	0	12.43%
A-1+	U.S Treasury notes	842,625	348,142	0	494,483	1.49%
AAAm	STAR Ohio	20,933,128	20,933,128	0	0	37.10%
	Total Investments	\$ 56,420,712	\$ 45,955,733	\$ 8,686,185	\$ 1,778,794	100.00%

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above table identifies the School District's recurring fair value measurements as of June 30, 2017. As discussed further in Note 2E, STAR Ohio is reported at its share price. All other investments of the School District are valued using quoted market prices (Level 1 inputs).

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Unless matched to a specific obligation or debt of the School District, the School District will not directly invest in securities maturing more than three years from the date of settlement if such securities bear interest at a fixed rate, and it will not directly invest in such securities maturing more than two years from the date of settlement if they bear interest at a variable rate.

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School 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 School District has no investment policy dealing with investment custodial credit 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: The School District's investments during fiscal year 2017 included STAR Ohio, Commercial Paper, Fidelity Money Market, U.S. Treasury notes, FFCB notes, FNMA notes, FHLB notes and FHLM notes. STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAROhio as of June 30, 2017, is 46 days. The School District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

Concentration of Credit Risk: The School District diversifies its investments by security, type, and institution. With the exception of direct obligations of the U.S. Treasury and STAR Ohio, no more than 25 percent of the School District's total investment portfolio will be invested in a single security type or with a single financial institution.

Note 7 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School 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 and public utility property located in the School District. Real property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. 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 revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2015, were levied after April 1, 2016 and are collected in 2017 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The School District receives property taxes from Stark and Portage Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 in the general, bond retirement and permanent improvement funds were \$303,078, \$73,778 and \$12,205, respectively. The amount available for advance at June 30, 2016, in the general, bond retirement and permanent improvement funds were \$272,746, \$65,970 and \$8,106, respectively. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 435,512,810	98.51%	\$ 440,878,750	98.40%
Public Utility Personal Property	6,591,540	1.49%	7,178,380	1.60%
Total	\$ 442,104,350	100.00%	\$ 448,057,130	100.00%
Full Tax Rate per \$1,000 of assessed valuation	<u>\$ 76.70</u>		<u>\$ 76.90</u>	

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 8 - Receivables

Receivables at June 30, 2017, consisted of taxes, accounts (student fees), interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. The intergovernmental receivables consist of the following:

	Governmental Funds			Total
	General	Classroom	Other	
	Fund	Facilities Fund	Governmental Funds	
Operating Grants	\$ 0	\$ 0	\$ 455,958	\$ 455,958
OFCC Grant	0	18,845,552	0	18,845,552
SERS Refund	25,338	0	0	25,338
FTE	36,660	0	0	36,660
Other	9,250	0	6,999	16,249
Total	\$ 71,248	\$ 18,845,552	\$ 462,957	\$ 19,379,757

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017 as follows:

	Balance 6/30/2016	Additions	Reductions	Balance 6/30/2017
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 3,037,257	\$ 0	\$ 0	\$ 3,037,257
Construction in Progress	2,239,666	12,697,014	0	14,936,680
Total Capital Assets not being depreciated	5,276,923	12,697,014	0	17,973,937
<i>Capital Assets, being depreciated:</i>				
Land Improvements	851,346	0	0	851,346
Buildings and Improvements	43,758,149	0	0	43,758,149
Furniture and Equipment	1,886,695	109,784	0	1,996,479
Vehicles	2,876,336	159,126	(108,846)	2,926,616
Textbooks	770,278	0	0	770,278
Total Capital Assets, being depreciated	50,142,804	268,910	(108,846)	50,302,868
Less Accumulated Depreciation:				
Land Improvements	(615,129)	(110,745)	0	(725,874)
Buildings and Improvements	(15,667,481)	(1,027,955)	0	(16,695,436)
Furniture and Equipment	(1,261,309)	(115,558)	0	(1,376,867)
Vehicles	(2,315,210)	(159,436)	108,846	(2,365,800)
Textbooks	(693,250)	0	0	(693,250)
Total Accumulated Depreciation	(20,552,379)	(1,413,694)	108,846	(21,857,227)
Total Capital Assets being depreciated, net	29,590,425	(1,144,784)	0	28,445,641
Governmental Activities Capital Assets, Net	\$ 34,867,348	\$ 11,552,230	\$ 0	\$ 46,419,578

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

	Balance 6/30/2016	Additions	Reductions	Balance 6/30/2017
Business-Type Activities				
<i>Capital Assets being depreciated</i>				
Furniture and Equipment	\$ 191,387	\$ 0	\$ 0	\$ 191,387
Less Accumulated Depreciation	(133,590)	(11,445)	0	(145,035)
Business-Type Activities				
Capital Assets, Net	<u>\$ 57,797</u>	<u>\$ (11,445)</u>	<u>\$ 0</u>	<u>\$ 46,352</u>

Depreciation expense was charged to governmental and business-type functions as follows:

Governmental Activities:

Instruction:

Regular	\$ 942,565
Special	2,964

Support Services:

Pupil	154
Administration	1,718
Operation and Maintenance of Plant	21,927
Pupil Transportation	156,512
Operation of Non-Instructional Services	2,592
Extracurricular Activities	<u>285,262</u>

Total Governmental Activities \$ 1,413,694

Business-Type Activities:

Food Service	<u>\$ 11,445</u>
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Note 10 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School District has a comprehensive property, fleet and liability package through the Ohio Casualty Insurance Company.

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

The Superintendent, Board members and employees are covered under a blanket forgery and theft bond under the Ohio Casualty policy. The Treasurer is covered under separate bond through Ohio Casualty Insurance Company.

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

B. Workers' Compensation

The School District participates in the Stark County Schools Council of Governments (COG) to obtain workers' compensation coverage. This program is administered by CompManagement, Inc. The experience of each of the participating school districts is calculated as one experience rate and applied to all participants in the program.

Each participant pays its workers' compensation premium to the State based on the rate for the Group Rating Pool (GRP) rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

C. Health Insurance

The School District is a member of the Stark County Schools Council of Governments Health Benefit Plan (the Council), through which a cooperative Health Benefit Program was created for the benefit of its members. The Health Benefit Program (the "Program") is an employee health benefit plan which covers the participating members' employees. The Council acts as a fiscal agent for the cash funds paid into the program by the participating school districts. These funds are pooled together for the purpose of paying health benefit claims for employees and their covered dependents, administrative expenses of the program, and premiums for stop-loss insurance coverage. The School District accounts for the premiums paid as expenditures in the general or applicable fund.

Note 11 - Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 340 days. Upon retirement, employees receive payment for one-fourth of the total accumulated sick leave, up to a maximum accumulation of 61 days for those employees with ten or more years of service, and 76 days for those employees with twenty or more years of service to the Board of Education. Additionally, at retirement, \$10 is paid for each day of sick leave accumulated from 200 to 300 days, and \$20 for each day from 301 to 340 days.

School District employees are eligible to receive a retirement incentive based on first time eligibility to retire under current STRS or SERS guidelines. Certified employees retiring under STRS will receive a one-time bonus in the amount of \$20,000 through June 30, 2017 (\$10,000 as of July 1, 2017); classified employees retiring under SERS will receive a one-time bonus in the amount of \$5,000. Eligibility for the retirement incentive is based upon the submission of an irrevocable notice of intent to retire no later than April 1st prior to retirement with payment of the bonus in the January following retirement.

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 12 - Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB 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 proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School 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.

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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.

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 30 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 School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2017.

The School District’s contractually required contribution to SERS was \$605,860 for fiscal year 2017. Of this amount, \$66,067 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School 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 was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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 to 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. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$2,069,295 for fiscal year 2017. Of this amount, \$347,046 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of July 1 2016, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District's employer allocation percentage of the net pension liability was based on the employer's share of

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	STRS	SERS	Total
Proportionate Share of the Net Pension Liability	\$ 44,293,062	\$ 10,042,682	\$ 54,335,744
Proportion of the Net Pension Liability:			
Current Measurement Date	0.13232469%	0.13721240%	
Prior Measurement Date	0.12918594%	0.13911160%	
Change in Proportionate Share	<u>0.00313875%</u>	<u>-0.00189920%</u>	
Pension Expense	\$ 3,478,185	\$ 1,045,191	\$ 4,523,376

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the School District's proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning in the current year. Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	STRS	SERS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ 1,789,652	\$ 135,453	\$ 1,925,105
Net Difference between Projected and Actual Earnings on Pension Plan Investments	3,677,514	828,373	4,505,887
Changes of Assumptions	0	670,404	670,404
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	833,744	20,992	854,736
School District Contributions Subsequent to the Measurement Date	2,069,295	605,860	2,675,155
Total Deferred Outflows of Resources	<u>\$ 8,370,205</u>	<u>\$ 2,261,082</u>	<u>\$ 10,631,287</u>
Deferred Inflows of Resources			
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	<u>\$ 0</u>	<u>\$ 7,149</u>	<u>\$ 7,149</u>

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

\$2,675,155 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	STRS	SERS	Total
2018	\$ 1,082,780	\$ 413,305	\$ 1,496,085
2019	1,082,778	412,706	1,495,484
2020	2,493,942	583,939	3,077,881
2021	1,641,410	238,123	1,879,533
	<u>\$ 6,300,910</u>	<u>\$ 1,648,073</u>	<u>\$ 7,948,983</u>

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.

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, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including Inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates among active members were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

retired members and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015. The assumed rate of inflation, payroll growth assumption and assumed real wage growth were reduced in the June 30, 2016 actuarial valuation. The rates of withdrawal, retirement and disability updated to reflect recent experience and mortality rates were also updated.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. 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 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was being used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's Proportionate Share of the Net Pension Liability	\$ 13,295,885	\$ 10,042,682	\$ 7,319,615

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected Salary Increase	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
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 commences on the fifth anniversary of the 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 no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

*10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. 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, 2016.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability as of June 30, 2016, calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's Proportionate Share of the Net Pension Liability	\$ 58,861,881	\$ 44,293,062	\$ 32,003,405

Changes Between Measurement Date and Report Date In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's net pension liability is expected to be significant.

Note 13 - Postemployment Benefits

A. School Employees Retirement System

Health Care Plan Description - The School 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

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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 2017, SERS did not allocate any employer contributions to the Health Care fund. 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 2017, this amount was \$23,500. 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 2017, the School District's surcharge obligation was \$76,927.

For fiscal years 2016 and 2017, SERS did not allocate employer contributions to the Health Care fund. The School District's contributions for health care for the fiscal year ended June 30, 2015, was \$43,196. The full amount has been contributed for fiscal year 2015.

B. State Teachers Retirement System

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 years 2017, 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care; therefore, the School District did not contribute to health care in the last three fiscal years.

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 14 - Long - Term Obligations

The changes in the School District's long-term obligations during the year consist of the following:

	Outstanding 6/30/2016	Additions	Reductions	Outstanding 6/30/2017	Amounts Due in One Year
Governmental Activities:					
2013 School Improvement Bonds	\$ 3,465,000	\$ 0	\$ 225,000	\$ 3,240,000	\$ 235,000
2015 Unlimited Tax General Obligation Serial and Term Bonds \$34,600,000 at .68% - 4.18%	34,600,000	0	425,000	34,175,000	425,000
Unamortized Bond Premium	751,824	0	9,235	742,589	0
2015 Refunding of Bonds Serial Bonds \$17,650,000 at 1.00% - 4.00%	16,230,000	0	1,290,000	14,940,000	1,305,000
Unamortized Bond Premium	1,227,025	0	97,527	1,129,498	0
Total General Obligation Bonds	56,273,849	0	2,046,762	54,227,087	1,965,000
Net Pension Liability:					
STRS	35,703,215	8,589,847	0	44,293,062	0
SERS	7,300,053	2,074,749	0	9,374,802	0
Total Net Pension Liability	43,003,268	10,664,596	0	53,667,864	0
Compensated Absences	748,660	27,196	5,000	770,856	255,015
Capital Leases	0	507,640	263,123	244,517	244,517
Total Governmental Activities Long-Term Liabilities	\$ 100,025,777	\$ 11,199,432	\$ 2,314,885	\$ 108,910,324	\$ 2,464,532
Business-Type Activities					
Net Pension Liability - SERS	637,790	30,090	0	667,880	0
Compensated Absences	31,009	7,025	5,000	33,034	10,704
Total Business-Type Activities Long-Term Liabilities	\$ 668,799	\$ 37,115	\$ 5,000	\$ 700,914	\$ 10,704

2015 Unlimited Tax General Obligation Bonds

On August 13, 2015 issued \$34,600,000 unlimited tax general obligation bonds. The proceeds of the bonds will be used to build a new elementary school, additions to the current high school and elementary schools and upgrade the athletic field. The bonds were issued for a 36 year period with final maturity at December 1, 2051.

These bonds were issued with a premium of \$751,824, which was reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the bonds outstanding method.

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

2015 School Improvement Refunding Bonds

On March 12, 2015, the School District issued \$17,650,000 in general obligation bonds. The proceeds of the bonds were used to refund \$18,295,000 of the School District's outstanding 2005 School Improvement Refunding Bonds. The bonds were issued for a 10 year period with final maturity at December 1, 2026. At the date of the refunding, \$18,599,917 (including premium and after underwriting fees) was deposited in an irrevocable trust to provide for all future payments on the refunded bonds.

These refunding bonds were issued with a premium of \$1,334,380, which was reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the bonds outstanding method. The issuance resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of \$3,036,317. The issuance resulted in an economic gain of \$2,634,092.

2013 School Facilities Improvement Bonds

On March 1, 2013, the School District issued \$3,890,000 in general obligation bonds for House Bill 264 improvements. The bonds mature in December 2028.

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the general fund and the food service enterprise fund. The School District pays obligations related to employee compensation from the fund benefitting from their service.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2017 are as follows:

Fiscal Year Ending June 30,	Serial Bonds	
	Principal	Interest
2018	\$ 1,965,000	\$ 1,953,732
2019	2,020,000	1,903,326
2020	2,070,000	1,851,682
2021	2,125,000	1,789,225
2022	2,195,000	1,710,807
2023-2027	12,255,000	7,354,974
2028-2032	4,070,000	5,783,807
2033-2037	4,360,000	4,955,006
2038-2042	5,570,000	3,814,925
2043-2047	7,035,000	2,465,500
2048-2052	8,690,000	898,000
Total	<u>\$ 52,355,000</u>	<u>\$ 34,480,984</u>

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 15 - Capital Leases

In fiscal year 2017 the School District entered into a lease with Dell Financial services for 1,000 Dell computers. The computers will not be capitalized due to the fact they are under the School District's capitalization threshold of \$5,000. Capital lease payments will be reclassified and reflected as debt service expenditures on the fund financial statements for the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2017.

	Amount
Fiscal Year Ending June 30, 2018	\$ 263,123
Less: amount representing interest	18,607
Present value of net minimum lease payments	\$ 244,516

Note 16 - Interfund Transactions

A. Interfund Transfers

Transfers made during fiscal year 2017 were as follows:

Fund	Transfer In	Transfer Out
Major Funds		
General Fund	\$ 19,944	\$ 52,231
Classroom Facilities	0	503,815
Nonmajor Governmental Funds	503,815	0
Nonmajor Enterprise Funds	52,231	19,944
Total	\$ 575,990	\$ 575,990

The Classroom Facilities fund transferred money to the facilities projects fund for project modifications in accordance with the Classroom Facilities agreement. During the fiscal year, the general fund also transferred \$52,231 to provide additional resources for current operations to the uniform supplies and after school programs funds. The uniform supplies fund transferred \$19,944 to the general fund of residual cash to close the fund. Interfund transfers between governmental funds are eliminated in the statement of activities.

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

B. Interfund Balances

Interfund balances at June 30, 2017 consisted of a \$164,910 payable from the other governmental funds and nonmajor enterprise funds to the general fund. The primary purpose of the interfund balance is to cover costs in the fund where revenues were not received by June 30. This interfund balance will be repaid once the anticipated revenues are received. These advances are expected to be repaid within one year. Interfund loans between governmental activities are eliminated on the statement of net position.

Note 17- Jointly Governed Organization

The Stark/Portage Area Computer Consortium (SPARCC) is a jointly governed organization comprised of 31 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports SPARCC based upon a per pupil charge dependent upon the software package utilized. The SPARCC assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. SPARCC is governed by a board of directors chosen from the general membership of the SPARCC assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county in which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Stark County Education Services Center, which serves as fiscal agent, located at 2100 38th Street, NW, Canton, Ohio 44709. The School District paid \$111,001 to SPARCC for basic services in fiscal year 2017.

Note 18 – Contingencies and Significant Commitments

A. Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2017, if applicable, cannot be determined at this time.

B. Litigation

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

C. Encumbrance Commitments

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the School District's commitments for encumbrances in the governmental funds were as follows:

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Fund	Encumbrances
General Fund	\$ 177,727
Classroom Facilities Fund	49,697,830
Nonmajor Governmental Funds	622,305
	\$ 50,497,862

D. Contractual Commitments

At June 30, 2017, the School District had the following contractual commitments:

	Contractual Commitment	Expended	Balance 6/30/2017
Construction of a New Elementary School, Additions to High School and Elementary School and Upgrades to Athletic Fields	\$ 63,628,017	\$10,979,690	\$52,648,327

Contractual commitments identified above may or may not be included in the outstanding encumbrance commitments previously disclosed in this note. Reasons for this may include timing of when contracts are encumbered and contracts paid from enterprise funds, which are not required to disclose encumbrance commitments.

E. School District Funding

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. The net adjustments were not material and are not reflected in the accompanying financial statements.

Note 19 - Set-Asides

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

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

	Capital Improvement
Set Aside Restricted Balance June 30, 2016	\$ 0
Current Year Set-Aside Requirement	585,341
Current Year Qualifying Expenditures	(416,971)
Current Year Offsets	<u>(365,607)</u>
Total	<u>\$ (197,237)</u>
Balance Carried Forward to Fiscal Year 2018	<u>\$ 0</u>
Set Aside Balance June 30, 2017	<u>\$ 0</u>

Although the School District had qualifying expenditures and offsets during the fiscal year that reduced the capital improvement set aside amount to below zero, this amount may not be used to reduce the set aside requirement for future years. The negative balance is, therefore, not presented as being carried forward to future years.

Lake Local School District
Stark County, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Four Fiscal Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>State Teachers Retirement System (STRS)</i>				
School District's Proportion of the Net Pension Liability	0.13232469%	0.12918594%	0.12857556%	0.12857556%
School District's Proportionate Share of the Net Pension Liability	\$ 44,293,062	\$ 35,703,215	\$ 31,274,026	\$ 37,253,415
School District's Covered Payroll	\$ 14,073,129	\$ 12,982,029	\$ 14,147,400	\$ 13,614,523
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	314.74%	275.02%	221.06%	273.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%
<i>School Employees Retirement System (SERS)</i>				
School District's Proportion of the Net Pension Liability	0.13721240%	0.13911160%	0.13934900%	0.13934900%
School District's Proportionate Share of the Net Pension Liability	\$ 10,042,682	\$ 7,937,843	\$ 7,052,374	\$ 8,286,638
School District's Covered Payroll	\$ 5,253,636	\$ 4,448,543	\$ 4,090,108	\$ 4,681,734
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	191.16%	178.44%	172.43%	177.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

Notes:

School Employees Retirement System (SERS)

Changes of Benefit Terms: None.

Changes of Assumptions: Amounts reported in 2017 reflect an adjustment of the rates of withdrawal, retirement and disability to more closely reflect actual experience and the expectation of retired life mortality was based on RP-2014 Blue Collar Mortality Tables and RP-2000 Disabled Mortality Table. The following reductions were also made to the actuarial assumptions:

- Discount rate from 7.75% to 7.50%
- Assumed rate of inflation from 3.25% to 3.00%
- Payroll growth assumption from 4.00% to 3.50%
- Assumed real wage growth from 0.75% to 0.50%

Lake Local School District
Stark County, Ohio
Required Supplementary Information
Schedule of School District Contributions
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>State Teachers Retirement System (STRS)</i>				
Contractually Required Contribution	\$ 2,069,295	\$ 1,970,238	\$ 1,817,484	\$ 1,839,162
Contributions in Relation to the Contractually Required Contribution	<u>(2,069,295)</u>	<u>(1,970,238)</u>	<u>(1,817,484)</u>	<u>(1,839,162)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 14,780,679	\$ 14,073,129	\$ 12,982,029	\$ 14,147,400
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%
<i>School Employees Retirement System (SERS)</i>				
Contractually Required Contribution	\$ 605,860	\$ 735,509	\$ 586,318	\$ 566,889
Contributions in Relation to the Contractually Required Contribution	<u>(605,860)</u>	<u>(735,509)</u>	<u>(586,318)</u>	<u>(566,889)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 4,327,571	\$ 5,253,636	\$ 4,448,543	\$ 4,090,108
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 1,769,888	\$ 1,814,426	\$ 1,938,829	\$ 2,026,985	\$ 1,863,847	\$ 1,790,622
<u>(1,769,888)</u>	<u>(1,814,426)</u>	<u>(1,938,829)</u>	<u>(2,026,985)</u>	<u>(1,863,847)</u>	<u>(1,790,622)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 13,614,523	\$ 13,957,123	\$ 14,914,069	\$ 15,592,192	\$ 14,337,285	\$ 13,774,015
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$ 647,952	\$ 713,664	\$ 591,454	\$ 737,822	\$ 428,006	\$ 434,324
<u>(647,952)</u>	<u>(713,664)</u>	<u>(591,454)</u>	<u>(737,822)</u>	<u>(428,006)</u>	<u>(434,324)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 4,681,734	\$ 5,306,052	\$ 4,705,282	\$ 5,449,202	\$ 4,349,654	\$ 4,422,851
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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**LAKE LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Granter/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	N/A	10.555	\$ 69,277	\$ 69,277
Cash Assistance:				
National School Lunch Program	049866-3L60-2017	10.555	<u>274,022</u>	<u>274,022</u>
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>343,299</u>	<u>343,299</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education:</i>				
Title I, Part A Cluster:				
Title I, Grants to Local Educational Agencies	049866-3M00-2017	84.010	212,368	234,525
Special Education Cluster:				
Special Education-Grants to States, IDEA-B	049866-3M20-2016	84.027	15,121	6,882
Special Education-Grants to States, IDEA-B	049866-3M20-2017	84.027	<u>393,840</u>	<u>515,575</u>
Total Special Education Cluster			408,961	522,457
Improving Teacher Quality State Grants, Title II-A	049866-3Y60-2016	84.367	4,759	4,759
Improving Teacher Quality State Grants, Title II-A	049866-3Y60-2017	84.367	<u>5,997</u>	<u>15,079</u>
Total Improving Teacher Quality State Grants			<u>10,756</u>	<u>19,838</u>
<i>Total Passed Through Ohio Department of Education</i>			632,085	776,820
<i>Passed Through Plain Local School District:</i>				
Career and Technical Education-Basic Grants to States	N/A	84.048	<u>33,600</u>	<u>40,387</u>
Total U.S. Department of Education			<u>665,685</u>	<u>817,207</u>
Total Federal Financial Assistance			<u>\$1,008,984</u>	<u>\$ 1,160,506</u>

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

**LAKE LOCAL SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of Lake Local School District (the District's) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective programs 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*

Lake Local School District
Stark County
436 King Church Avenue SW
Uniontown, Ohio 44685

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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lake Local School District, Stark County, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 8, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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 report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

March 8, 2018



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

Lake Local School District
Stark County
436 King Church Avenue SW
Uniontown, Ohio 44685

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Lake Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Lake Local School District's major federal programs for the year ended June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Lake Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

March 8, 2018

**LAKE LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Grants to States, IDEA Part B, CFDA #84.027
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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LAKE LOCAL SCHOOL DISTRICT

STARK 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 27, 2018