



OHIO AUDITOR OF STATE  
**KEITH FABER**





**LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY  
JUNE 30, 2020**

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# OHIO AUDITOR OF STATE KEITH FABER



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## 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, each major fund, and the aggregate remaining fund information of the Lake Local School District, Stark County, Ohio (the School District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School 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 School 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 School 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, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2020, and the respective changes in financial position 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.

**Emphasis of Matter**

As discussed in Note 19 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. We did not modify our opinion regarding these matters.

**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 and other post-employment benefit liabilities and pension and other post-employment benefit 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 School District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards 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 information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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 information 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 1, 2021, on our consideration of the School 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 School District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 1, 2021

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**Lake Local School District**  
**Stark County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*(Unaudited)*

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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, 2020. 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 2020 are as follows:

- Net position decreased \$4 million, or 11 percent under fiscal year 2019 net position.
- Capital assets increased \$154,439 during fiscal year 2020.
- During the fiscal year, outstanding debt obligations increased from \$50 million to \$51 million.
- In 2020, the School District issued \$36,054,975 of facilities improvement bonds.

***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 the bond retirement 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 2020?" 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**

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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*, governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities, and non-instructional services, i.e., food service operations.

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds.

***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. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance for the general, bond retirement and classroom facilities funds which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation. 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.

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

***Reporting the School District's Fiduciary Responsibilities***

The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. These activities are reported in agency funds. 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.

**Lake Local School District**  
**Stark County, Ohio**  
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**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 2020 compared to 2019:

**Table 1**  
**Net Position**

	Governmental Activities		
	2020	2019	Change
<b>Assets</b>			
Current and Other Assets	\$ 38,314,338	\$ 43,480,141	\$ (5,165,803)
Net OPEB Asset	2,243,675	2,197,993	45,682
Capital Assets	103,661,237	103,506,798	154,439
<i>Total Assets</i>	<u>144,219,250</u>	<u>149,184,932</u>	<u>(4,965,682)</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charges on Refunding	2,371,382	0	2,371,382
Pension & OPEB	8,360,557	11,143,040	(2,782,483)
<i>Total deferred Outflows of Resources</i>	<u>10,731,939</u>	<u>11,143,040</u>	<u>(411,101)</u>
<b>Liabilities</b>			
Other Liabilities	5,093,908	6,865,646	(1,771,738)
Long-Term Liabilities			
Due Within One Year	3,169,029	2,390,008	779,021
Due in More Than One Year			
Pension & OPEB Liability	41,152,919	41,366,522	(213,603)
Other Amounts	48,717,072	48,340,308	376,764
<i>Total Liabilities</i>	<u>98,132,928</u>	<u>98,962,484</u>	<u>(829,556)</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	18,702,715	18,230,584	472,131
Deferred Charges on Refunding	357,979	1,014,011	(656,032)
Pension & OPEB	5,830,615	6,189,618	(359,003)
<i>Total Deferred Inflows of Resources</i>	<u>24,891,309</u>	<u>25,434,213</u>	<u>(542,904)</u>
<b>Net Position</b>			
Net Investment in Capital Assets	54,396,089	52,633,258	1,762,831
Restricted	4,094,293	7,580,788	(3,486,495)
Unrestricted	(26,563,430)	(24,282,771)	(2,280,659)
<i>Total Net Position</i>	<u>\$ 31,926,952</u>	<u>\$ 35,931,275</u>	<u>\$ (4,004,323)</u>

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

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The net pension liability (NPL) is one of the largest liabilities reported by the School District at June 30, 2020, and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. In a prior period, the School District also adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension/OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB asset/liability to equal the School District's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these assets/liabilities. 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 Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as 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. For STRS, the plan's fiduciary net OPEB position was sufficient to cover the plan's total OPEB liability resulting in a net OPEB asset for fiscal year 2020 that is allocated to each school based on its proportionate share. The retirement system is responsible for the administration of the pension and OPEB plans.

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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 or the net OPEB liability reported by the retirement boards. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB asset/liability, respectively, not accounted for as deferred inflows/outflows.

At year end, capital assets represented 72 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Net investment in capital assets was \$54.4 million at June 30, 2020. 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, \$4.1 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 \$26.6 million, which is primarily caused by GASBs 68 and 75.

Current and other assets in the governmental activities decreased in fiscal year 2020 due to the decrease in cash and intergovernmental receivable was primarily due to the fact the Ohio Facilities Construction Commission (OFCC) project completed in fiscal year 2020. Nondepreciable capital assets decreased while depreciable capital assets increased due to the completion of the OFCC project. There was a correlating decrease in contracts and retainage payable, which constitutes the majority of the decrease in current liabilities. This decrease is also due to the completion OFCC project.

The School District had a debt refunding in fiscal year 2020, which caused the increase in deferred charges. There was a change in net pension/other postemployment benefits (OPEB) liability/asset for the School District. These fluctuations are due to changes in the retirement systems unfunded liabilities that are passed through to the School District's financial statements. All components of pension and OPEB accruals contribute to the fluctuations in deferred outflows/inflows and net pension liability (NPL)/ net OPEB liability (NOL)/ net OPEB asset (NOA) and are described in more detail in their respective notes.

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**Stark County, Ohio**  
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Table 2 shows the changes in net position for fiscal year 2020 compared to 2019.

**Table 2**  
**Changes in Net Position**

	Governmental Activities		
	2020	2019	Change
<b>Revenues</b>			
<i>Program Revenues:</i>			
Charges for Services	\$ 1,732,890	\$ 1,892,303	\$ (159,413)
Operating Grants	4,065,827	3,928,382	137,445
Capital Grants	1,200,968	1,179,871	21,097
<i>Total Program Revenues</i>	<u>6,999,685</u>	<u>7,000,556</u>	<u>(871)</u>
<i>General Revenues:</i>			
Property Taxes	18,187,076	18,076,141	110,935
Grants and Entitlements	17,413,858	18,187,498	(773,640)
Payments in Lieu of Taxes	19,313	47,595	(28,282)
Other	749,124	828,383	(79,259)
<i>Total General Revenues</i>	<u>36,369,371</u>	<u>37,139,617</u>	<u>(770,246)</u>
<i>Total Revenues</i>	<u>43,369,056</u>	<u>44,140,173</u>	<u>(771,117)</u>
<b>Program Expenses</b>			
<i>Instruction:</i>			
Regular	21,410,744	13,967,820	7,442,924
Special	5,313,495	3,988,067	1,325,428
Vocational	685,241	559,586	125,655
Other	1,718,272	1,727,245	(8,973)
<i>Support Services:</i>			
Pupils	2,378,888	1,803,111	575,777
Instructional Staff	1,498,392	1,248,499	249,893
Board of Education	29,257	28,506	751
Administration	2,724,939	2,023,776	701,163
Fiscal	807,256	771,060	36,196
Business	224,508	265,873	(41,365)
Operation and Maintenance of Plant	3,765,617	3,134,205	631,412
Pupil Transportation	2,393,308	2,213,268	180,040
Central	101,340	106,361	(5,021)
<i>Operation of Non-Instructional Services:</i>			
Food Service Operations	997,522	1,030,588	(33,066)
Community Services	737,491	619,186	118,305
Extracurricular Activities	1,225,433	1,044,509	180,924
<i>Debt Service:</i>			
Interest and Fiscal Charges	1,361,676	1,661,621	(299,945)
<i>Total Expenses</i>	<u>47,373,379</u>	<u>36,193,281</u>	<u>11,180,098</u>
<i>Increase (Decrease) in Net Position</i>	<u>(4,004,323)</u>	<u>7,946,892</u>	<u>(11,951,215)</u>
<i>Net Position at Beginning of Year</i>	<u>35,931,275</u>	<u>27,984,383</u>	N/A
<i>Net Position at End of Year</i>	<u>\$ 31,926,952</u>	<u>\$ 35,931,275</u>	<u>\$ (4,004,323)</u>

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The decrease in grants and entitlements is due to COVID-19 and state budget cuts. Overall, program expenses increased significantly. The changes in program expenses are primarily associated to changes in the School District's proportionate share of the net pension liability, net OPEB liability/asset and related accruals. As previously indicated, these items are explained in detail within their respective notes.

**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	
	2020	2019	2020	2019
Instruction:				
Regular	\$ 21,410,744	\$ 13,967,820	\$ 20,504,138	\$ 13,192,404
Special	5,313,495	3,988,067	3,275,029	1,636,182
Vocational	685,241	559,586	303,839	181,555
Other	1,718,272	1,727,245	1,718,272	1,727,245
Support Services:				
Pupils	2,378,888	1,803,111	2,260,228	1,803,111
Instructional Staff	1,498,392	1,248,499	1,412,426	1,161,308
Board of Education	29,257	28,506	29,257	28,506
Administration	2,724,939	2,023,776	2,722,824	2,020,166
Fiscal	807,256	771,060	804,912	737,125
Business	224,508	265,873	224,508	265,873
Operation and Maintenance of Plant	3,765,617	3,134,205	3,551,918	2,963,281
Pupil Transportation	2,393,308	2,213,268	2,020,178	2,128,318
Central	101,340	106,361	48,065	(40,182)
Operation of Non-Instructional Services:				
Food Service Operations	997,522	1,030,588	154,629	44,261
Community Services	737,491	619,186	(1,042,181)	(1,145,394)
Extracurricular Activities	1,225,433	1,044,509	1,023,976	827,345
Debt Service:				
Interest and Fiscal Charges	1,361,676	1,661,621	1,361,676	1,661,621
<b>Total Expenses</b>	<b>\$ 47,373,379</b>	<b>\$ 36,193,281</b>	<b>\$ 40,373,694</b>	<b>\$ 29,192,725</b>

The dependence upon general revenues for governmental activities is apparent. Nearly 85 percent of governmental activities are supported through taxes and other general revenues; such revenues are 84 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

**Lake Local School District**  
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**Financial Analysis of the Government's Funds**

***Governmental Funds***

The School District's major funds are accounted for using the modified accrual basis of accounting.

The general fund's net change in fund balance for fiscal year 2020 was a decrease of \$225,941.

The bond retirement fund's net change in fund balance for fiscal year 2020 was an increase of \$984,384. This increase is primarily due to the School District issuing 2020 school improvement refunding bonds.

***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 2020, 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.

***Original Budget Compared to Final Budget*** The original budget basis revenue was more than the final budget basis revenue. The majority of this difference was due to an initial overestimation of intergovernmental revenues. Original expenditure appropriations were lower than the final expenditures appropriations due to underestimation of instruction and support services.

***Final Budget Compared to Actual Results*** There were no significant variances to discuss between actual revenue and other financing sources and the final budget basis revenue. Final expenditure appropriations were higher than the actual expenditures as cost savings were recognized for all programs throughout the fiscal year.

There were no significant variances to discuss within other financing sources and uses.



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**Capital Assets and Debt Administration**

**Capital Assets**

Table 4 shows fiscal year 2020 balances compared with 2019.

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

	Governmental Activities	
	2020	2019
Land	\$ 3,127,145	\$ 3,127,145
Construction in Progress	2,208,110	74,092,239
Land Improvements	1,001,513	5,389
Buildings and Improvements	95,809,264	24,974,748
Furniture and Equipment	591,392	679,616
Vehicles	923,813	627,661
<i>Totals</i>	<b>\$ 103,661,237</b>	<b>\$ 103,506,798</b>

See Note 9 for additional details about the School District's capital assets. In fiscal year 2020 the OFCC project was completed and construction in progress was moved to depreciable assets.

**Debt**

Table 5 summarizes outstanding debt.

**Table 5**  
**Outstanding Debt and Related Charges, at June 30**

	Governmental Activities	
	2020	2019
General Obligation Bonds:		
2013 School Improvement Bonds	\$ 2,520,000	\$ 2,765,000
2015 Refunding Bonds	4,360,000	12,305,000
2015 Unamortized Bond Premium	333,067	930,286
2015 School Improvement Bonds	3,265,000	33,300,000
2015 Unamortized Bond Premium	71,027	723,576
2020 Refunding Bonds	35,410,000	0
2020 Capital Appreciation Bonds	644,975	0
2020 Accretion on Capital Appreciation Bonds	13,992	0
2020 Unamortized Bond Premium	4,653,578	0
<i>Total</i>	<b>\$ 51,271,639</b>	<b>\$ 50,023,862</b>

**Lake Local School District**  
**Stark County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*(Unaudited)*

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In fiscal year 2020, the School District had a partial refunding of 2015 unlimited tax general obligation bonds and 2015 school improvement refunding bonds. See Note 14 for additional details.

***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 2020, 54 percent of the School District's general fund total revenue was derived from state sources, while 46 percent was derived from local and other sources. Also during fiscal year 2020, 62 percent of the School District's General Fund total expenditures were made directly on classroom instruction. The School District has made significant efforts to achieve the highest level of performance while maintaining a low cost. The School Board and Administration continue to closely monitor performance in conjunction with revenues and expenditures.

Following the support from our voters to pass a bond issue in May 2015, the School District worked with the Ohio Facilities Construction Commission on a district-wide facility project. During the 2018-2019 school year, all of our students were in new academic settings. Our K-1 population transitioned to our new Lake Primary building. All students in grades 2 through 6 entered a brand new Lake Elementary. Our students in grades 7 through 12 came together under one roof into a newly renovated school with an 80,000 square foot addition of new learning space. The new Lake Middle/High School was completely finished for the start of the 2019-2020 school year. Our new academic settings are state of the art, with flexible spaces and furniture, with access to extended learning areas. Technology in the form of one-to-one computing is district-wide in all grades, in addition to a newly developed K-12 robotics curriculum. The delivery of content will continue to evolve into the best practice of student centered learning.

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 is "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."

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. Our results continue to rank us first in Stark County. While we normally have report card results to show the academic success we have made with our students, the 2019-20 school year was much different. The Governor of the State of Ohio mandated that all school buildings be closed as of March 16, 2020 through the end of the school year due to the spread of coronavirus commonly known as COVID-19. The School District continued to educate and provide support services to all students, even with the school buildings closed. With the continuing COVID-19 pandemic, the School District cannot predict the full effect on performance, finances or operations.

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.

**Lake Local School District**  
**Stark County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*(Unaudited)*

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***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, 2020

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$ 18,151,485
Cash and Investments in Segregated Accounts	77,729
Receivables:	
Accounts	53,071
Intergovernmental	719,037
Property Taxes	19,313,016
Net OPEB Asset	2,243,675
Nondepreciable Capital Assets	5,335,255
Depreciable Capital Assets (Net)	98,325,982
<i>Total Assets</i>	144,219,250
<b>Deferred Outflows of Resources</b>	
Deferred Charges on Refunding	2,371,382
Pension	7,583,613
OPEB	776,944
<i>Total Deferred Outflows of Resources</i>	10,731,939
<b>Liabilities</b>	
Accounts Payable	188,176
Accrued Wages and Benefits	3,950,689
Contracts Payable	41,911
Intergovernmental Payable	726,988
Retainage Payable	50,020
Accrued Interest Payable	136,124
Long Term Liabilities:	
Due Within One Year	3,169,029
Due In More Than One Year:	
Net Pension Liability	37,782,218
OPEB Liability	3,370,701
Other Amounts	48,717,072
<i>Total Liabilities</i>	98,132,928
<b>Deferred Inflows of Resources</b>	
Property Taxes Levied for the Next Year	18,702,715
Deferred Charge on Refunding	357,979
Pension	2,013,449
OPEB	3,817,166
<i>Total Deferred Inflows of Resources</i>	24,891,309
<b>Net Position</b>	
Net Investment in Capital Assets	54,396,089
Restricted For:	
Capital Outlay	1,753,662
Debt Service	1,318,704
Athletics	83,961
Auxiliary Programs	47,491
Other Purposes	890,475
Unrestricted	(26,563,430)
<i>Total Net Position</i>	\$ 31,926,952

See accompanying notes to the basic financial statements.

**Lake Local School District**  
**Stark County, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2020

	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
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 21,410,744	\$ 785,237	\$ 111,338	\$ 10,031	\$ (20,504,138)
Special	5,313,495	54,029	1,984,437	0	(3,275,029)
Vocational	685,241	0	381,402	0	(303,839)
Other	1,718,272	0	0	0	(1,718,272)
Support Services:					
Pupils	2,378,888	0	118,660	0	(2,260,228)
Instructional Staff	1,498,392	0	85,966	0	(1,412,426)
Board of Education	29,257	0	0	0	(29,257)
Administration	2,724,939	1,523	592	0	(2,722,824)
Fiscal	807,256	1,939	0	405	(804,912)
Business	224,508	0	0	0	(224,508)
Operation and Maintenance of Plant	3,765,617	115,263	0	98,436	(3,551,918)
Pupil Transportation	2,393,308	0	373,130	0	(2,020,178)
Central	101,340	53,171	104	0	(48,065)
Operation of Non-Instructional Services:					
Food Service Operations	997,522	523,044	319,849	0	(154,629)
Community Services	737,491	0	687,576	1,092,096	1,042,181
Extracurricular Activities	1,225,433	198,684	2,773	0	(1,023,976)
Debt Service:					
Interest and Fiscal Charges	1,361,676	0	0	0	(1,361,676)
<b>Totals</b>	<b>\$ 47,373,379</b>	<b>\$ 1,732,890</b>	<b>\$ 4,065,827</b>	<b>\$ 1,200,968</b>	<b>\$ (40,373,694)</b>

**General Revenues**

Property Taxes Levied for:	
General Purposes	14,175,798
Debt Service	3,439,014
Capital Outlay	572,264
Grants and Entitlements Not Restricted to Specific Programs	17,413,858
Payments in Lieu of Taxes	19,313
Investment Earnings	541,416
Miscellaneous	207,708
<b>Total General Revenues</b>	<b>36,369,371</b>
 <i>Change in Net Position</i>	 (4,004,323)
 <i>Net Position Beginning of Year</i>	 <u>35,931,275</u>
 <i>Net Position End of Year</i>	 <u><u>\$ 31,926,952</u></u>

See accompanying notes to the basic financial statements.

**Lake Local School District**  
**Stark County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2020*

	General	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Investments	\$ 13,440,809	\$ 2,062,807	\$ 2,647,870	\$ 18,151,486
Cash and Investments in Segregated Accounts	0	0	77,729	77,729
Receivables:				
Accounts	2,415	0	50,656	53,071
Interfund	326,414	0	0	326,414
Intergovernmental	88,205	0	630,832	719,037
Property Taxes	15,122,034	3,563,218	627,764	19,313,016
<i>Total Assets</i>	<u>\$ 28,979,877</u>	<u>\$ 5,626,025</u>	<u>\$ 4,034,851</u>	<u>\$ 38,640,753</u>
<b>Liabilities</b>				
Accounts Payable	\$ 129,357	\$ 0	\$ 58,819	\$ 188,176
Accrued Wages and Benefits	3,709,769	0	240,920	3,950,689
Contracts Payable	0	0	41,911	41,911
Intergovernmental Payable	684,357	0	42,631	726,988
Retainage Payable	0	0	50,020	50,020
Interfund Payable	0	0	326,414	326,414
<i>Total Liabilities</i>	<u>4,523,483</u>	<u>0</u>	<u>760,715</u>	<u>5,284,198</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes Levied for the Next Year	14,640,179	3,453,396	609,140	18,702,715
Unavailable Revenue	262,934	38,951	585,552	887,437
<i>Total Deferred Inflows of Resources</i>	<u>14,903,113</u>	<u>3,492,347</u>	<u>1,194,692</u>	<u>19,590,152</u>
<b>Fund Balances</b>				
Restricted	0	2,133,678	2,520,271	4,653,949
Assigned	1,618,737	0	0	1,618,737
Unassigned	7,934,544	0	(440,827)	7,493,717
<i>Total Fund Balances</i>	<u>9,553,281</u>	<u>2,133,678</u>	<u>2,079,444</u>	<u>13,766,403</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 28,979,877</u>	<u>\$ 5,626,025</u>	<u>\$ 4,034,851</u>	<u>\$ 38,640,753</u>

See 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, 2020*

<b>Total Governmental Fund Balances</b>		\$ 13,766,403
<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.		103,661,237
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 618,109	
Accounts	51,170	
Property Taxes	218,158	887,437
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(136,124)
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		
Refunding Loss	(357,979)	
Refunding Gain	2,371,382	2,013,403
The net pension and OPEB liabilities/asset are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in governmental funds:		
Net OPEB Asset	2,243,675	
Deferred Outflows - Pension	7,583,613	
Deferred Outflows - OPEB	776,944	
Net Pension Liability	(37,782,218)	
Net OPEB Liability	(3,370,701)	
Deferred Inflows - Pension	(2,013,449)	
Deferred Inflows - OPEB	(3,817,166)	(36,379,302)
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	(45,555,000)	
Capital Appreciation Bonds	(644,975)	
Bond Premium	(5,057,672)	
Accretion of Interest - Capital Appreciation Bonds	(13,992)	
Compensated Absences	(614,463)	(51,886,102)
<i>Net Position of Governmental Activities</i>		\$ 31,926,952

See 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, 2020

	General	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property and Other Local Taxes	\$ 14,774,313	\$ 3,583,061	\$ 595,075	\$ 18,952,449
Intergovernmental	18,883,412	299,341	3,340,842	22,523,595
Investment Income	529,947	0	62,373	592,320
Tuition and Fees	592,769	0	3,920	596,689
Extracurricular Activities	192,842	0	205,585	398,427
Rentals	25,060	0	138,500	163,560
Charges for Services	0	0	523,044	523,044
Contributions and Donations	21,680	0	1,115,585	1,137,265
Payment in Lieu of Taxes	0	0	24,631	24,631
Miscellaneous	236,607	0	45,570	282,177
<i>Total Revenues</i>	<u>35,256,630</u>	<u>3,882,402</u>	<u>6,055,125</u>	<u>45,194,157</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	15,537,136	0	389,329	15,926,465
Special	4,249,202	0	827,135	5,076,337
Vocational	614,721	0	36,021	650,742
Other	1,718,272	0	0	1,718,272
Support Services:				
Pupils	2,169,460	0	79,430	2,248,890
Instructional Staff	1,317,319	0	98,121	1,415,440
Board of Education	29,257	0	0	29,257
Administration	2,499,126	0	6,284	2,505,410
Fiscal	721,777	54,199	9,545	785,521
Business	207,259	0	0	207,259
Operation and Maintenance of Plant	2,664,899	0	986,374	3,651,273
Pupil Transportation	2,300,672	0	277,267	2,577,939
Central	83,458	0	8,982	92,440
Extracurricular Activities	852,344	0	211,124	1,063,468
Operation of Non-Instructional Services:				
Food Service Operations	0	0	961,574	961,574
Community Services	0	0	695,892	695,892
Capital Outlay	0	0	4,487,760	4,487,760
Debt Service:				
Principal Retirement	245,000	1,825,000	0	2,070,000
Interest and Fiscal Charges	72,669	1,515,386	0	1,588,055
<i>Total Expenditures</i>	<u>35,282,571</u>	<u>3,394,585</u>	<u>9,074,838</u>	<u>47,751,994</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(25,941)</u>	<u>487,817</u>	<u>(3,019,713)</u>	<u>(2,557,837)</u>
<b>Other Financing Sources (Uses)</b>				
Refunding Bonds Issued	0	36,054,975	0	36,054,975
Premium on Refunding Bonds	0	4,653,578	0	4,653,578
Payment to Refunded Bond Escrow Agent	0	(40,211,986)	0	(40,211,986)
Transfers In	0	0	200,000	200,000
Transfers Out	(200,000)	0	0	(200,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(200,000)</u>	<u>496,567</u>	<u>200,000</u>	<u>496,567</u>
<i>Net Change in Fund Balance</i>	(225,941)	984,384	(2,819,713)	(2,061,270)
<i>Fund Balances Beginning of Year</i>	<u>9,779,222</u>	<u>1,149,294</u>	<u>4,899,157</u>	<u>15,827,673</u>
<i>Fund Balances End of Year</i>	<u>\$ 9,553,281</u>	<u>\$ 2,133,678</u>	<u>\$ 2,079,444</u>	<u>\$ 13,766,403</u>

See 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, 2020*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	(2,061,270)
<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	\$ 4,898,444	
Current Year Depreciation	<u>(1,270,873)</u>	3,627,571
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal.		
		(3,473,132)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Intergovernmental	(1,045,580)	
Accounts	(8,830)	
Payment in Lieu of Taxes	(5,318)	
Property Taxes	<u>(765,373)</u>	(1,825,101)
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		2,070,000
Issuance of refunding bonds results in expenditures and other financing sources and uses in the governmental funds, but these transactions are reflected in the statement of net position as long-term assets and liabilities.		
Payments to Refunding Bond Escrow Agent	40,211,986	
Premium on Refunding Bonds	(4,653,578)	
Proceeds of Refunding Bonds	<u>(36,054,975)</u>	(496,567)
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.		
		104,007
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	2,923,830	
OPEB	<u>89,499</u>	3,013,329
Except for amount reported as deferred inflows/outflows, changes in the net pension and OPEB assets/liabilities are reported as pension/OPEB expense in the statement of activities.		
Pension	(5,658,786)	
OPEB	<u>481,262</u>	(5,177,524)
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	20,175	
Amortization of Refunding Gain	<u>116,189</u>	136,364
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		91,992
Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds in the statement of activities.		
		<u>(13,992)</u>
<i>Change in Net Position of Governmental Activities</i>	<u>\$</u>	<u>(4,004,323)</u>

See 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, 2020*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Property and Other Local Taxes	\$ 14,133,375	\$ 14,403,703	\$ 14,761,141	\$ 357,438
Intergovernmental	19,982,129	19,015,073	18,928,365	(86,708)
Investment Income	331,877	315,000	290,118	(24,882)
Tuition and Fees	428,403	496,203	579,020	82,817
Extracurricular Activities	75,079	94,000	83,538	(10,462)
Rentals	23,850	15,500	24,815	9,315
Miscellaneous	30,887	30,000	47,306	17,306
<i>Total Revenues</i>	<u>35,005,600</u>	<u>34,369,479</u>	<u>34,714,303</u>	<u>344,824</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	15,464,145	15,632,153	15,424,613	207,540
Special	4,398,718	4,446,508	4,387,474	59,034
Vocational	611,928	618,577	610,364	8,213
Other	1,722,676	1,741,392	1,718,272	23,120
Support Services:				
Pupils	2,156,135	2,179,560	2,150,623	28,937
Instructional Staff	1,376,839	1,391,797	1,373,319	18,478
Board of Education	29,319	29,637	29,244	393
Administration	2,571,823	2,599,765	2,565,249	34,516
Fiscal	722,612	730,463	720,765	9,698
Business	220,330	222,724	219,767	2,957
Operation and Maintenance of Plant	2,814,369	2,844,946	2,752,797	92,149
Pupil Transportation	2,314,242	2,339,385	2,308,326	31,059
Central	44,378	44,861	44,265	596
Extracurricular Activities	854,153	863,433	851,970	11,463
Debt Service:				
Principal Retirement	245,000	245,000	245,000	0
Interest and Fiscal Charges	72,669	72,669	72,669	0
<i>Total Expenditures</i>	<u>35,619,336</u>	<u>36,002,870</u>	<u>35,474,717</u>	<u>528,153</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(613,736)</u>	<u>(1,633,391)</u>	<u>(760,414)</u>	<u>872,977</u>
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures	63,101	182,052	188,680	6,628
Transfers Out	(200,000)	(200,000)	(200,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(136,899)</u>	<u>(17,948)</u>	<u>(11,320)</u>	<u>6,628</u>
<i>Net Change in Fund Balance</i>	<u>(750,635)</u>	<u>(1,651,339)</u>	<u>(771,734)</u>	<u>879,605</u>
<i>Fund Balance Beginning of Year</i>	13,202,604	13,202,604	13,202,604	0
Prior Year Encumbrances Appropriated	478,737	478,737	478,737	0
<i>Fund Balance End of Year</i>	<u>\$ 12,930,706</u>	<u>\$ 12,030,002</u>	<u>\$ 12,909,607</u>	<u>\$ 879,605</u>

See accompanying notes to the basic financial statements.

**Lake Local School District**  
**Stark County, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Funds*  
*June 30, 2020*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$ 124,679
<b>Liabilities</b>	
Undistributed Monies	\$ 34,231
Due to Students	90,448
<i>Total Liabilities</i>	<u>\$ 124,679</u>

See 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, 2020*

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**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 three 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 (other than described below):

***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.

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

**Lake Local School District**  
**Stark County, Ohio**  
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***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 statement of net position presents the financial condition of the governmental 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 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 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 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:

***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.

**Lake Local School District**  
**Stark County, Ohio**  
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***Bond Retirement Fund*** The bond retirement fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest and certain long-term obligations from governmental resources when the government is obligated in some manner for payment.

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 School District has no proprietary funds.

***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. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total 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.

#### ***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 and statements for the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. 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

**Lake Local School District**  
**Stark County, Ohio**  
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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 Outflows/Inflows 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 deferred charges on refunding, for pension and OPEB. 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. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 12 and 13.

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 until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance fiscal year 2021 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, grants and entitlements and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 12 and 13).

***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.

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***E. Cash and Cash Equivalents***

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

During fiscal year 2020, investments were limited to STAR Ohio, negotiable certificates of deposit, Federal Farm Credit Bank notes, Federal National Mortgage Association notes, Federal Home Loan Bank notes, Federal Home Loan Mortgage notes, U.S. Treasury note, 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 2020, 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 \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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 commitments on deposits.

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

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 2020 amounted to \$529,947 which includes \$91,092 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.



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**Stark County, Ohio**  
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***F. Capital Assets***

General capital assets 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.

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
Land Improvements	40 - 50 Years
Buildings and Improvements	10 - 40 Years
Furniture and Equipment	5 - 20 Years
Vehicles	10 Years

***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.

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***H. Pensions and Other Postemployment Benefits (OPEB)***

For purposes of measuring the net pension/OPEB asset/liability, deferred outflows of resources and deferred inflows of resources related to pension/OPEB, and pension/OPEB expense; information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans 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. 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 that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension/OPEB asset/liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits. 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.

***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, 2020, 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.

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***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.

*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.

**Lake Local School District**  
**Stark County, Ohio**  
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***M. Contributions and Donations***

In a prior year, the School District Board approved a project that allows the YMCA to add an addition to the Family Fitness Center and Field House and to renovate the existing building, which is located on the High School/Middle School campus. This project is being fully funded by the YMCA and expense reimbursements received by the School District have been recorded as capital contributions in the amount of \$1,092,096 in the current year.

***N. Interfund Activity***

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

***O. 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 2020.

***P. 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.

***Q. 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.

**Lake Local School District**  
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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 2020.

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.

***R. Implementation of New Accounting Principles and Restatement of Fund Balance/Net Position***

For the fiscal year ended June 30, 2020, the School District implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 95 postpones the effective dates of certain provisions in the statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following statements are postponed by one year:

- Statement No. 84, *Fiduciary Activities*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*

Certain provisions in the following statements are postponed by one year:

- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The following statement is postponed by 18 months:

- Statement No. 87, *Leases*

For the fiscal year ended June 30, 2020, the School District also implemented paragraphs 4 and 5 of Governmental Accounting Standards Board Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Paragraph 4 increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a government board typically would perform and paragraph 5 mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements. The implementation of paragraphs 4 and 5 of this Statement did not have an effect on the financial statements of the School District.

For the fiscal year ended June 30, 2020, the School District has early implemented, GASB Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*, and GASB Statement No. 92 *Omnibus 2020*.

**Lake Local School District**  
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GASB Statement No. 89 requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the School District.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the School District.

**Note 3 - Fund Deficits**

Fund balances at June 30, 2020 included the following individual fund deficits:

	Deficit Fund Balance
Nonmajor Governmental Funds:	
Food Service	\$ 7,118
Miscellaneous State Grants	276,267
IDEA B	98,121
Title II-A	13,996
Title I	45,325

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

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	General	Bond Retirement Fund	Other Governmental Funds	Total
Restricted for:				
Debt Service	\$ 0	\$ 2,133,678	\$ 0	\$ 2,133,678
Capital Outlay	0	0	1,506,083	1,506,083
Student Activities	0	0	83,961	83,961
Facilities Maintenance	0	0	792,003	792,003
Other Purposes	0	0	138,224	138,224
<b>Total Restricted</b>	<b>0</b>	<b>2,133,678</b>	<b>2,520,271</b>	<b>4,653,949</b>
Assigned for:				
Public School Support	107,215	0	0	107,215
Other Purposes	40,534	0	0	40,534
Encumbrances:				
Instruction	50,012	0	0	50,012
Support Services	163,109	0	0	163,109
Extracurricular	602	0	0	602
Subsequent Appropriations	1,257,265	0	0	1,257,265
<b>Total Assigned</b>	<b>1,618,737</b>	<b>0</b>	<b>0</b>	<b>1,618,737</b>
Unassigned	7,934,544	0	(440,827)	7,493,717
<b>Total Fund Balance</b>	<b>\$ 9,553,281</b>	<b>\$ 2,133,678</b>	<b>\$ 2,079,444</b>	<b>\$ 13,766,403</b>

**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).

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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	\$ (225,941)
Net Adjustment for Revenue Accruals	(208,293)
Net Adjustment for Expenditure Accruals	104,191
Funds Budgeted Elsewhere **	(19,093)
Adjustment for Encumbrances	<u>(422,598)</u>
Budget Basis	<u>\$ (771,734)</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, the student laptop insurance fund, the summer program 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, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.



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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;
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 and two hundred seventy days, respectively, 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.

**Cash on Hand** - At June 30, 2020 the School District had \$1,000 in undeposited cash on hand, which is included as part of "Equity in Pooled Cash and Investments."

**Deposits** - At year-end, \$2,591,432 of the School District's bank balance of \$3,091,432 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the School District's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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**Custodial Credit Risk** Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

- Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS required the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

**Segregated Cash** – Funds held by the School District for the YMCA project is maintained separately from the School District’s deposits. The carrying amount of the deposits is reported as “Cash and Investments in Segregated Accounts.”

**Investments:** Investments are reported at fair value. As of June 30, 2020, the School District had the following investment:

S&P Global Ratings	Investment Type	Measurement Value	Investment Maturities			Percent of Total
			Less than 1 Year	1 to 3 Years	More than 3 Years	
NAV:						
AAAm	Money Market	\$ 432,100	\$ 432,100	\$ 0	\$ 0	2.82%
AAAm	STAR Ohio	6,678,386	6,678,386	0	0	43.54%
Fair Value:						
N/A	Negotiable Certificates of Deposit	4,873,755	0	2,053,010	2,820,745	31.77%
AA+	Federal Farm Credit Bank	601,245	0	300,552	300,693	3.92%
AA+	Federal National Mortgage Association	252,980	0	252,980	0	1.65%
AA+	Federal Home Loan Bank	504,875	0	504,875	0	3.29%
AA+	Federal Home Loan Mortgage	868,535	416,963	451,572	0	5.66%
A-1+	Commercial Paper	874,581	874,581	0	0	5.70%
A-1+	U.S Treasury notes	252,735	252,735	0	0	1.65%
Total Investments		<u>\$ 15,339,192</u>	<u>\$ 8,654,765</u>	<u>\$3,562,989</u>	<u>\$3,121,438</u>	<u>100.00%</u>

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, 2020. The School District’s investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and

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reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 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.

**Credit Risk:** The School District's investments during fiscal year 2020 included STAR Ohio, Commercial Paper, negotiable certificates of deposit, 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, 2020, is 42 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 2020 represents collections of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed value listed as of January 1, 2019, 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 2020 represents collections of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien December 31, 2018, were levied after April 1, 2019 and are collected in 2020 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.

The School District receives property taxes from Stark and Portage Counties. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2019 operations. 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.

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Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2020, 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 2020 taxes were collected are:

	2019 Second Half Collections		2020 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 502,570,210	98.49%	\$ 514,833,960	95.05%
Public Utility Personal Property	7,698,010	1.51%	26,827,680	4.95%
Total	\$ 510,268,220	100.00%	\$ 541,661,640	100.00%
Full Tax Rate per \$1,000 of assessed valuation	\$ 76.50		\$ 75.90	

**Note 8 - Receivables**

Receivables at June 30, 2020, consisted of taxes, miscellaneous accounts, 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.

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**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2020 as follows:

	Balance 6/30/2019	Additions	Reductions	Balance 6/30/2020
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 3,127,145	\$ 0	\$ 0	\$ 3,127,145
Construction in Progress	74,092,239	4,430,770	(76,314,899)	2,208,110
Total Capital Assets not being depreciated	<u>77,219,384</u>	<u>4,430,770</u>	<u>(76,314,899)</u>	<u>5,335,255</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	851,346	996,247	0	1,847,593
Buildings and Improvements	43,748,649	75,318,652	(7,926,113)	111,141,188
Furniture and Equipment	1,805,275	36,859	(307,217)	1,534,917
Vehicles	2,960,750	430,815	(343,856)	3,047,709
Total Capital Assets, being depreciated	<u>49,366,020</u>	<u>76,782,573</u>	<u>(8,577,186)</u>	<u>117,571,407</u>
Less Accumulated Depreciation:				
Land Improvements	(845,957)	(123)	0	(846,080)
Buildings and Improvements	(18,773,901)	(1,028,207)	4,470,184	(15,331,924)
Furniture and Equipment	(1,125,659)	(107,880)	290,014	(943,525)
Vehicles	(2,333,089)	(134,663)	343,856	(2,123,896)
Total Accumulated Depreciation	<u>(23,078,606)</u>	<u>(1,270,873)</u>	<u>5,104,054</u>	<u>(19,245,425)</u>
Total Capital Assets being depreciated, net	<u>26,287,414</u>	<u>75,511,700</u>	<u>(3,473,132)</u>	<u>98,325,982</u>
Governmental Activities Capital Assets, Net	<u>\$ 103,506,798</u>	<u>\$ 79,942,470</u>	<u>\$ (79,788,031)</u>	<u>\$ 103,661,237</u>

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Depreciation expense was charged to the governmental functions as follows:

<i>Governmental Activities:</i>	
Instruction:	
Regular	\$ 987,128
Special	1,959
Support Services:	
Administration	1,718
Operation and Maintenance of Plant	23,392
Pupil Transportation	151,169
Central	8,518
Food Services	5,727
Community Services	2,592
Extracurricular Activities	<u>88,670</u>
 Total Governmental Activities	 <u>\$ 1,270,873</u>

**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 and Business Manager are covered under separate bonds through Ohio Casualty Insurance Company.

**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

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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 63 days for those employees with ten or more years of service, and 78 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 \$10,000; 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.

**Note 12 - Defined Benefit Pension Plans**

***Net Pension Liability***

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

***Net Pension Liability/Net OPEB Liability (Asset)***

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB 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.

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The net pension/OPEB liability (asset) 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/OPEB liability (asset) 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/OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 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 (assets) 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/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension/OPEB liability (asset)* 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.

The remainder of this note includes the required pension disclosures. See Note 13 for the required OPEB disclosures.

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

Plan Description – School District non-teaching employees participate in SERS, a statewide, 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](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:



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	Eligible to Retire 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.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

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, 2020, the allocation to pension, death benefits, and Medicare B was 14.0 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2020.

The School District’s contractually required contribution to SERS was \$649,758 for fiscal year 2020. Of this amount, \$72,810 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](http://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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the

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retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective August 1, 2017 – July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased in through August 1, 2026, when retirement 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. Retirement eligibility for reduced benefits will be five years of service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 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 goes 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, 2020, 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 2020 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$2,274,072 for fiscal year 2020. Of this amount, \$397,600 is reported as an intergovernmental payable.

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***Net Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2019, 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 proportion of the net pension liability was based on the employer's share of 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:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.13077290%	0.13546760%	
Prior Measurement Date	0.13223740%	0.13678483%	
Change in Proportionate Share	-0.00146450%	-0.00131723%	
Proportionate Share of the Net			
Pension Liability	\$ 7,824,372	\$ 29,957,846	\$ 37,782,218
Pension Expense	\$ 1,094,985	\$ 4,563,801	\$ 5,658,786

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, 2020 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between Expected and Actual Experience	\$ 198,410	\$ 243,909	\$ 442,319
Changes of Assumptions	0	3,519,127	3,519,127
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	0	698,337	698,337
School District Contributions Subsequent to the Measurement Date	649,758	2,274,072	2,923,830
<b>Total Deferred Outflows of Resources</b>	<u>\$ 848,168</u>	<u>\$ 6,735,445</u>	<u>\$ 7,583,613</u>

<b>Deferred Inflows of Resources</b>			
Differences between Expected and Actual Experience	\$ 0	\$ 129,681	\$ 129,681
Net Difference between Projected and Actual Earnings on Pension Plan Investments	100,436	1,464,177	1,564,613
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	110,262	208,893	319,155
<b>Total Deferred Inflows of Resources</b>	<u>\$ 210,698</u>	<u>\$ 1,802,751</u>	<u>\$ 2,013,449</u>

\$2,923,830 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	\$ 126,495	\$ 2,164,606	\$ 2,291,101
2022	(189,057)	488,540	299,483
2023	(6,685)	(119,870)	(126,555)
2024	56,959	125,346	182,305
	<u>\$ (12,288)</u>	<u>\$ 2,658,622</u>	<u>\$ 2,646,334</u>

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***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 terminations). 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. Future benefits for all current plan members were projected through 2035.

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, 2019, are presented below:

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
COLA or Ad Hoc COLA	2.50 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120 percent of male rates and 110 percent of female rates used. The RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the 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 asset allocation, as used in the June 30, 2015 five-year experience study, is summarized as follows:

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Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	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** Total pension liability was calculated using the discount rate of 7.50 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. 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 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 the School District'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.

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 10,964,742	\$ 7,824,372	\$ 5,190,778

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, are presented below:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Projected Payroll Growth	3.00 percent
Cost-of-Living Adjustments	0.00 percent

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For

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disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

The actuarial assumptions used in the July 1, 2019 valuation, were based on the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

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:

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long Term Expected Real Rate of Return**</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u>100.00 %</u>	

\*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

\*\*Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate.** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are 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, 2019. Therefore, the long-term expected rate of return on investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table represents the School District's proportionate share of the net pension liability as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 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 (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 43,780,054	\$ 29,957,846	\$ 18,256,638

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**Note 13 - Defined Benefits OPEB Plans**

See Note 12 for a description of the net OPEB liability (asset).

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

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 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. 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](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the School District's surcharge obligation was \$89,499, which is reported as an intergovernmental payable.

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

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered 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 partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.



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Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

***Net OPEB Liability (Asset), OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB***

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Date	0.13403500%	0.13546800%	
Prior Measurement Date	0.13398580%	0.13678483%	
Change in Proportionate Share	0.00004920%	-0.00131683%	
Proportionate Share of the Net			
OPEB Liability (Asset)	\$ 3,370,701	\$ (2,243,675)	
OPEB Expense	\$ 83,518	\$ (564,780)	\$ (481,262)

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between Expected and Actual Experience	\$ 49,479	\$ 203,405	\$ 252,884
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	8,093	0	8,093
Changes of Assumptions	246,191	47,162	293,353
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	0	133,115	133,115
School District Contributions Subsequent to the Measurement Date	89,499	0	89,499
<b>Total Deferred Outflows of Resources</b>	<b>\$ 393,262</b>	<b>\$ 383,682</b>	<b>\$ 776,944</b>
<b>Deferred Inflows of Resources</b>			
Differences between Expected and Actual Experience	\$ 740,520	\$ 114,151	\$ 854,671
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	0	140,919	140,919
Changes of Assumptions	188,883	2,459,930	2,648,813
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	66,722	106,041	172,763
<b>Total Deferred Inflows of Resources</b>	<b>\$ 996,125</b>	<b>\$ 2,821,041</b>	<b>\$ 3,817,166</b>

\$89,499 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	\$ (215,812)	\$ (528,306)	\$ (744,118)
2022	(112,423)	(528,307)	(640,730)
2023	(110,047)	(471,830)	(581,877)
2024	(110,433)	(452,022)	(562,455)
2025	(100,057)	(445,676)	(545,733)
Thereafter	(43,590)	(11,218)	(54,808)
	<b>\$ (692,362)</b>	<b>\$ (2,437,359)</b>	<b>\$ (3,129,721)</b>

**Actuarial Assumptions - SERS**

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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

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occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). 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 OPEB liability in the latest actuarial valuation date of June 30, 2019, are presented below:

Inflation	3.00 percent
Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate	
Measurement Date	3.22 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.70 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Pre-Medicare	7.00 percent - 4.75 percent
Medicare	5.25 percent - 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the

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long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	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	<u>100.00 %</u>	

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. However, since SERS' actuaries indicate the fiduciary net position is projected to be depleted at a future measurement date, the single equivalent interest rate is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e., municipal bond rate).

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.22 percent) and higher (4.22 percent) than the current discount rate (3.22 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

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	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net OPEB Liability	\$ 4,091,389	\$ 3,370,701	\$ 2,797,665

  

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net OPEB Liability	\$ 2,700,612	\$ 3,370,701	\$ 4,259,740

**Actuarial Assumptions – STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below:

Inflation	2.50 percent	
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll Increases	3.00 percent	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.45 percent	
Health Care Cost Trend Rates		
Medical	<u>Initial</u>	<u>Ultimate</u>
Pre-Medicare	5.87 percent	4.00 percent
Medicare	4.93 percent	4.00 percent
Prescription Drug		
Pre-Medicare	7.73 percent	4.00 percent
Medicare	9.62 percent	4.00 percent

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

The actuarial assumptions used in the June 30, 2019 valuation, were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

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:

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Asset Class	Target Allocation*	Long Term Expected Real Rate of Return**
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

\*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

\*\*Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2019.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and Health Care Cost Trend Rate** The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB liability as of June 30, 2019, calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (1,914,530)	\$ (2,243,675)	\$ (2,520,409)
		Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (2,544,225)	\$ (2,243,675)	\$ (1,875,575)

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**Note 14 - Long - Term Obligations**

The original issue date, interest rate, original issuance and date of maturity for each of the School District's long-term obligations are as follows:

	<u>Original Issue Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
<i>General Obligation Bonds:</i>				
School Improvement				
Serial Bonds	2013	2.75%	\$ 3,890,000	12/1/28
School Improvement				
Serial and Term	2015	.68% - 4.18%	34,600,000	12/1/51
School Improvement Refunding				
Serial Bonds	2015	1.00% - 4.00%	17,650,000	12/1/26
School Improvement Refunding				
Serial and Term	2020	2.54% - 3.36%	35,410,000	12/1/36
Capital Appreciation Bonds	2020	2.24% - 2.87%	644,975	12/1/31

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

	<u>Outstanding 6/30/2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 6/30/2020</u>	<u>Amounts Due in One Year</u>
<b>Governmental Activities:</b>					
General Obligation Bonds:					
School Improvement Bonds - 2013	\$ 2,765,000	\$ 0	\$ 245,000	\$ 2,520,000	\$ 250,000
School Improvement Bonds - 2015	33,300,000	0	30,035,000	3,265,000	475,000
Unamortized Bond Premium	723,576	0	652,549	71,027	0
School Improvement Refunding Bonds - 2015	12,305,000	0	7,945,000	4,360,000	1,400,000
Unamortized Bond Premium	930,286	0	597,219	333,067	0
School Improvement Refunding Bonds - 2020					
Serial and Term Bonds	0	35,410,000	0	35,410,000	770,000
Capital Appreciation Bonds	0	644,975	0	644,975	0
Accretion on Bonds	0	13,992	0	13,992	0
Unamortized Bond Premium	0	4,653,578	0	4,653,578	0
Total General Obligation Bonds	<u>50,023,862</u>	<u>40,722,545</u>	<u>39,474,768</u>	<u>51,271,639</u>	<u>2,895,000</u>
Net Pension/OPEB Liability:					
Pension	37,649,394	132,824	0	37,782,218	0
OPEB	3,717,128	0	346,427	3,370,701	0
Total Net Pension/OPEB Liability	<u>41,366,522</u>	<u>132,824</u>	<u>346,427</u>	<u>41,152,919</u>	<u>0</u>
Compensated Absences	706,454	222,874	314,866	614,462	274,029
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 92,096,838</u>	<u>\$ 41,078,243</u>	<u>\$ 40,136,061</u>	<u>\$ 93,039,020</u>	<u>\$ 3,169,029</u>

**Lake Local School District**  
**Stark County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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*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.

*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 straight line method which approximates the bonds outstanding method. A portion of these bonds were refunded during fiscal year 2020, as further discussed below.

*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. A portion of these bonds were refunded during fiscal year 2020, as further discussed below.

*2020 School Improvement Refunding Bonds*

On April 21, 2020, the School District issued \$36,054,975 in general obligation bonds, which included serial and capital appreciation (deep discount) bonds in the amount of \$35,410,000 and \$644,975, respectively. The proceeds of the bonds were used to refund \$6,575,000 of the School District's outstanding 2015 School Improvement Refunding Bonds and \$29,580,000 of 2015 School Improvement Bonds. The bonds were issued for a 30 year period with final maturity at December 1, 2050. At the date of refunding, \$40,708,552 (including premium and after underwriting fees, and other issuance costs) was received to pay off old debt. As all of the legal steps had been taken to refund the debt, the balance of the outstanding bonds refunded was removed from the School District's financial statements. The principal balance outstanding on defeased bonds was \$36,155,000 at June 30, 2020.

These refunding bonds were issued with a premium of \$4,653,578, 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 refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$2,371,382. This difference, reported in the accompanying financial statements as a deferred inflow of resources - deferred charges on refunding, is 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 \$3,032,380. The issuance resulted in an economic gain of \$1,533,144.



**Lake Local School District**  
**Stark County, Ohio**  
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The capital appreciation bonds will mature December 1, 2025 through 2031. These bonds were purchased at a substantial discount at the time of issuance. At maturity, all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$5,630,000.

The current interest bonds that mature on December 1, 2040, December 1, 2045 and December 1, 2050 and together with the 2040 and 2045 term bonds are subject to mandatory sinking fund redemption, in part by lot pursuant to terms of the mandatory sinking fund redemption requirements of the authorizing legislation, at a redemption price equal to 100 percent of the principal amount redeemed, plus interest accrued to redemption, December 1, of the years shown in, and according to, the following schedule.

2040 Term bonds	
Fiscal Year	Principal Amount to be Redeemed
2038	\$ 1,185,000
2039	1,230,000
2040	1,270,000
2041	1,315,000 (a)

2045 Term bonds	
Fiscal Year	Principal Amount to be Redeemed
2042	\$ 1,355,000
2043	1,405,000
2044	1,455,000
2045	1,510,000
2046	1,560,000 (a)

2050 Term bonds	
Fiscal Year	Principal Amount to be Redeemed
2047	\$ 1,620,000
2048	1,680,000
2049	1,740,000
2050	1,800,000
2051	1,870,000 (a)

(a) Remaining principal balance scheduled to be paid at stated maturity of corresponding term bonds.

The current interest bonds stated to mature on or after December 1, 2031 are subject to prior redemption, by and at the sole option of the School District, in whole or part as selected by the School District (in whole multiples of \$5,000), on any date on or after December 1, 2030, at a redemption price equal to 100% of principal amount redeemed, plus interest accrued to the redemption date.

**Lake Local School District**  
**Stark County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

General obligation bonds will be paid from the general fund and the debt service fund. Compensated absences will be paid from the general fund. There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are primarily made from the general fund. For additional information related to the net pension liability and net OPEB liability see Notes 12 and 13.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2020 are as follows:

Fiscal Year Ending June 30,	Serial Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2021	\$ 2,895,000	\$ 1,519,921	\$ 0	\$ 0	\$ 2,895,000	\$ 1,519,921
2022	2,510,000	1,360,204	0	0	2,510,000	1,360,204
2023	2,615,000	1,277,278	0	0	2,615,000	1,277,278
2024	2,645,000	1,189,298	0	0	2,645,000	1,189,298
2025	2,750,000	1,087,610	0	0	2,750,000	1,087,610
2026-2030	5,755,000	4,445,362	526,520	3,088,480	6,281,520	7,533,842
2031-2035	3,135,000	4,034,270	118,455	1,896,545	3,253,455	5,930,815
2036-2040	5,940,000	3,319,840	0	0	5,940,000	3,319,840
2041-2045	7,040,000	2,304,225	0	0	7,040,000	2,304,225
2046-2050	8,400,000	1,038,212	0	0	8,400,000	1,038,212
2051-2052	1,870,000	31,388	0	0	1,870,000	31,388
<b>Total</b>	<b>\$45,555,000</b>	<b>\$ 21,607,608</b>	<b>\$ 644,975</b>	<b>\$ 4,985,025</b>	<b>\$ 46,199,975</b>	<b>\$ 26,592,633</b>

**Note 15 - Interfund Transactions**

**A. Interfund Balances**

Interfund balances at June 30, 2020 consist of the following receivables and payables:

	Interfund Payable	Interfund Receivable
		General
Nonmajor Governmental Funds:		
Miscellaneous State Grants		\$ 225,482
IDEA B		79,357
Title I		16,056
Title II-A		5,519
<b>Total</b>		<b>\$ 326,414</b>

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.

**Lake Local School District**  
**Stark County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**B. Interfund Transfers**

During the fiscal year, the general fund transferred \$200,000 to the food service fund to provide additional resources for current operations.

**Note 16 - 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.

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, 2019	\$ 0
Current Year Set-Aside Requirement	597,206
Current Year Qualifying Expenditures	(598,632)
Current Year Offsets	(408,954)
Total	\$ (410,380)
Balance Carried Forward to Fiscal Year 2021	\$ 0
Set Aside Balance June 30, 2020	\$ 0

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.

**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 6057 Strip Avenue NW, North Canton, Ohio 44720. The School District paid \$106,206 to SPARCC for basic services in fiscal year 2020.

**Lake Local School District**  
**Stark County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**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, 2020, 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 on 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:

<u>Fund</u>	<u>Encumbrances</u>
General Fund	\$ 214,620
Nonmajor Governmental Funds	<u>344,580</u>
	<u>\$ 559,200</u>

**D. School District Foundation**

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.

**Lake Local School District**  
**Stark County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 19 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. The School District's investment portfolio and the investments of the pension and other employee benefit plan in which the School District participates have incurred a significant fluctuation in fair value, consistent with the general fluctuation in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, due to the dynamic environment and changes in fiscal policies, the exact impact on the School District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be reasonably estimated.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b><i>School Employees Retirement System (SERS)</i></b>				
School District's Proportion of the Net Pension Liability	0.13077290%	0.13223740%	0.13444370%	0.13721240%
School District's Proportionate Share of the Net Pension Liability	\$ 7,824,372	\$ 7,573,481	\$ 8,032,714	\$ 10,042,682
School District's Covered Payroll	\$ 4,501,467	\$ 4,332,148	\$ 4,327,571	\$ 5,253,636
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	173.82%	174.82%	185.62%	191.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	71.36%	69.50%	62.98%
<b><i>State Teachers Retirement System (STRS)</i></b>				
School District's Proportion of the Net Pension Liability	0.13546760%	0.13678483%	0.13309679%	0.13232469%
School District's Proportionate Share of the Net Pension Liability	\$ 29,957,846	\$ 30,075,913	\$ 31,617,428	\$ 44,293,062
School District's Covered Payroll	\$ 15,953,407	\$ 15,817,700	\$ 14,780,679	\$ 14,073,129
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	187.78%	190.14%	213.91%	314.74%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.40%	77.31%	75.30%	66.80%

(1) Information prior to 2014 is not available.

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

<b>2016</b>	<b>2015</b>	<b>2014</b>
0.13911160%	0.13934900%	0.13934900%
\$ 7,937,843	\$ 7,052,374	\$ 8,286,638
\$ 4,448,543	\$ 4,090,108	\$ 4,681,734
178.44%	172.43%	177.00%
69.16%	71.70%	65.52%
0.12918594%	0.12857556%	0.12857556%
\$ 35,703,215	\$ 31,274,026	\$ 37,253,415
\$ 12,982,029	\$ 14,147,400	\$ 13,614,523
275.02%	221.06%	273.63%
72.10%	74.70%	69.30%

**Lake Local School District**  
**Stark County, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Contributions - Pension*  
*Last Ten Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b><i>School Employees Retirement System (SERS)</i></b>				
Contractually Required Contribution	\$ 649,758	\$ 607,698	\$ 584,840	\$ 605,860
Contributions in Relation to the Contractually Required Contribution	<u>(649,758)</u>	<u>(607,698)</u>	<u>(584,840)</u>	<u>(605,860)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 4,641,129	\$ 4,501,467	\$ 4,332,148	\$ 4,327,571
Pension Contributions as a Percentage of Covered Payroll	14.00%	13.50%	13.50%	14.00%
<b><i>State Teachers Retirement System (STRS)</i></b>				
Contractually Required Contribution	\$ 2,274,072	\$ 2,233,477	\$ 2,214,478	\$ 2,069,295
Contributions in Relation to the Contractually Required Contribution	<u>(2,274,072)</u>	<u>(2,233,477)</u>	<u>(2,214,478)</u>	<u>(2,069,295)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 16,243,371	\$ 15,953,407	\$ 15,817,700	\$ 14,780,679
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%



<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 735,509	\$ 586,318	\$ 566,889	\$ 647,952	\$ 713,664	\$ 591,454
<u>(735,509)</u>	<u>(586,318)</u>	<u>(566,889)</u>	<u>(647,952)</u>	<u>(713,664)</u>	<u>(591,454)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 5,253,636	\$ 4,448,543	\$ 4,090,108	\$ 4,681,734	\$ 5,306,052	\$ 4,705,282
14.00%	13.18%	13.86%	13.84%	13.45%	12.57%
\$ 1,970,238	\$ 1,817,484	\$ 1,839,162	\$ 1,769,888	\$ 1,814,426	\$ 1,938,829
<u>(1,970,238)</u>	<u>(1,817,484)</u>	<u>(1,839,162)</u>	<u>(1,769,888)</u>	<u>(1,814,426)</u>	<u>(1,938,829)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 14,073,129	\$ 12,982,029	\$ 14,147,400	\$ 13,614,523	\$ 13,957,123	\$ 14,914,069
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

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

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b><i>School Employees Retirement System (SERS)</i></b>				
School District's Proportion of the Net OPEB Liability	0.13403500%	0.13398580%	0.13692630%	0.13896533%
School District's Proportionate Share of the Net OPEB Liability	\$ 3,370,701	\$ 3,717,128	\$ 3,674,742	\$ 3,961,026
School District's Covered Payroll	\$ 4,501,467	\$ 4,332,148	\$ 4,327,571	\$ 5,253,636
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	74.88%	85.80%	84.91%	75.40%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.57%	13.57%	12.46%	11.49%
<b><i>State Teachers Retirement System (STRS)</i></b>				
School District's Proportion of the Net OPEB Liability/(Asset)	0.13546800%	0.13678483%	0.13309679%	0.13232469%
School District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (2,243,675)	\$ (2,197,993)	\$ 5,192,946	\$ 7,076,759
School District's Covered Payroll	\$ 15,953,407	\$ 15,817,700	\$ 14,780,679	\$ 14,073,129
School District's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	-14.06%	-13.90%	35.13%	50.29%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset)	174.70%	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

**Lake Local School District**  
**Stark County, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Contributions - OPEB*  
*Last Ten Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b><i>School Employees Retirement System (SERS)</i></b>				
Contractually Required Contribution (1)	\$ 89,499	\$ 104,405	\$ 93,295	\$ 76,927
Contributions in Relation to the Contractually Required Contribution	<u>(89,499)</u>	<u>(104,405)</u>	<u>(93,295)</u>	<u>(76,927)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 4,641,129	\$ 4,501,467	\$ 4,332,148	\$ 4,327,571
OPEB Contributions as a Percentage of Covered Payroll (1)	1.93%	2.32%	2.15%	1.78%
<b><i>State Teachers Retirement System (STRS)</i></b>				
Contractually Required Contribution	\$ 0	\$ 0	\$ 0	\$ 0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 16,243,371	\$ 15,953,407	\$ 15,817,700	\$ 14,780,679
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

(1) Includes surcharge

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 65,251	\$ 106,546	\$ 75,294	\$ 72,366	\$ 94,808	\$ 130,471
<u>(65,251)</u>	<u>(106,546)</u>	<u>(75,294)</u>	<u>(72,366)</u>	<u>(94,808)</u>	<u>(130,471)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 5,253,636	\$ 4,448,543	\$ 4,090,108	\$ 4,681,734	\$ 5,306,052	\$ 4,705,282
1.24%	2.40%	1.84%	1.55%	1.79%	2.77%
\$ 0	\$ 0	\$ 125,881	\$ 142,286	\$ 143,305	\$ 151,920
<u>0</u>	<u>0</u>	<u>(125,881)</u>	<u>(142,286)</u>	<u>(143,305)</u>	<u>(151,920)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 14,073,129	\$ 12,982,029	\$ 14,147,400	\$ 13,614,523	\$ 13,957,123	\$ 14,914,069
0.00%	0.00%	1.00%	1.00%	1.00%	1.00%

**Lake Local School District**  
**Stark County, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 1 - Net Pension Liability**

***Changes in Assumptions - SERS***

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc COLA. Prior to 2018, an assumption of 3.0 percent was used.

For fiscal year 2017, the SERS Board adopted the following assumption changes:

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00 percent to 3.50 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to 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 retired members, and beneficiaries was updated to 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 was updated to 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.

***Changes in Assumptions – STRS***

For fiscal year 2018, the Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

***Changes in Benefit Terms - SERS***

With the authority granted to the Board under SB 8, the Board enacted a three-year COLA delay for future benefit recipients commencing on or after April 1, 2018.

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.50 percent with a floor of zero percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

***Changes in Benefit Terms - STRS***

For fiscal year 2018, the cost-of-living adjustment (COLA) was reduced to zero.

**Lake Local School District**  
**Stark County, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 2 - Net OPEB Liability (Asset)**

***Changes in Assumptions – SERS***

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

Municipal Bond Index Rate:

Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Pre-Medicare

Fiscal year 2020	7.00 percent initially, decreasing to 4.75 percent
Fiscal year 2019	7.25 percent initially, decreasing to 4.75 percent
Fiscal year 2018	7.50 percent initially, decreasing to 4.00 percent

Medicare

Fiscal year 2020	5.25 percent initially, decreasing to 4.75 percent
Fiscal year 2019	5.375 percent initially, decreasing to 4.75 percent
Fiscal year 2018	5.50 percent initially, decreasing to 5.00 percent

***Changes in Assumptions – STRS***

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent. Valuation year per capita health care costs were updated. Health care cost trend rates ranged from 6.00 percent to 11 percent initially and a 4.50 percent ultimate rate for fiscal year 2018 and changed for fiscal year 2019 to a range of -5.20 percent to 9.60 percent, initially and a 4.00 ultimate rate.

For fiscal year 2018, the blended discount rate was increased from 3.26 percent to 4.13 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

***Changes in Benefit Terms - SERS***

There have been no changes to the benefit provisions.

**Lake Local School District**  
**Stark County, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2020*

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***Changes in Benefit Terms – STRS***

For fiscal year 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. This was subsequently extended, see above paragraph.



**LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	N/A	\$82,901
Cash Assistance			
National School Lunch Program	10.555	049866-3L60-2020	216,756
COVID-19 National School Lunch Program	10.555	049866-3L60-2020	<u>15,570</u>
<b>Total U.S. Department of Agriculture/Child Nutrition Cluster</b>			<b><u>315,227</u></b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Title I, Grants to Local Educational Agencies	84.010	049866-3M00-2019	42,903
Title I, Grants to Local Educational Agencies	84.010	049866-3M00-2020	<u>217,847</u>
Total Title I, Grants to Local Educational Agencies			260,750
Title II-A, Improving Teacher Quality State Grants	84.367	049866-3Y60-2019	12,667
Title II-A, Improving Teacher Quality State Grants	84.367	049866-3Y60-2020	<u>58,577</u>
Total Title II-A, Improving Teacher Quality State Grants			71,244
Title IV-A, Student Support and Academic Enrichment Program	84.424 A	049866-2020	18,832
Special Education Cluster			
IDEA-B, Special Education Grants to States	84.027	049866-3M20-2019	22,323
IDEA-B, Special Education Grants to States	84.027	049866-3M20-2020	556,277
IDEA-B, Restoration	84.027	049866-3M20-2020	<u>35,410</u>
Total Special Education Cluster			<u>614,010</u>
<b>Total Passed Through Ohio Department of Education</b>			<b><u>964,836</u></b>
<i>Passed Through Ohio Department of Education and Plain Local School District</i>			
Career and Technical Education - Basic Grants to States	84.048	N/A	<u>36,021</u>
<b>Total U.S. Department of Education</b>			<b><u>1,000,858</u></b>
<b>Total Expenditures of Federal Awards</b>			<b><u><u>\$1,316,085</u></u></b>

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

**LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Lake Local School District (the School District) under programs of the federal government for the year ended June 30, 2020. 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 School District, it is not intended to and does not present the financial position or changes in net position of the School District.

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

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D - CHILD NUTRITION CLUSTER**

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

**NOTE E – FOOD DONATION PROGRAM**

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



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**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, each major fund, and the aggregate remaining fund information of the Lake Local School District, Stark County, (the School District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 1, 2021 wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the School District.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School 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 School 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 School 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 financial statements. 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 School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 1, 2021

# OHIO AUDITOR OF STATE KEITH FABER



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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 Lake Local School District's (the School 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 Lake Local School District's major federal program for the year ended June 30, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

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

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

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

Our responsibility is to opine on the School District's compliance for the School 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 School 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 School District's major program. However, our audit does not provide a legal determination of the School District's compliance.

***Opinion on the Major Federal Program***

In our opinion, 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, 2020.

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

The School 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 School 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 School 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.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 1, 2021

**LAKE LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2020**

**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):	Child Nutrition Cluster, CFDA #10.555
<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 Schools

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR 200.511(b)  
JUNE 30, 2020**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2019-001	Error in Net Position – Net Investment in Capital Assets	Corrective Action Taken and Finding is Fully Corrected	The majority of the error was the result of a formula error within a spreadsheet used by the District's GAAP conversion team. That formula was updated, so as not to impact the calculation for subsequent years. In addition, the financial statements for June 30, 2019 were updated. The District has, and will continue to, review the draft financial statements as prepared by the GAAP conversion team each year.

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Vision: To be the leader in addressing the educational, social and physical needs of students and staff

Mission: Educating generations, serving our community

Values: Respect, Integrity, Citizenship, Honesty, Engagement and Responsibility

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# OHIO AUDITOR OF STATE KEITH FABER



**LAKE LOCAL SCHOOL DISTRICT**

**STARK COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 3/18/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)