

LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY
Audit Report
For the Year Ended June 30, 2015





Dave Yost • Auditor of State

Board of Education
Lake Local School District
28090 Lemoyne Road
Millbury, Ohio 43447

We have reviewed the *Independent Auditor's Report* of the Lake Local School District, Wood County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

February 1, 2016

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LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY
AUDIT REPORT
For the Year Ending June 30, 2015

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Lake Local School District
Wood County
28090 Lemoyne Road
Millbury, Ohio 43447

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, Wood County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Accounting Basis

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

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2015, the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 68, "*Accounting and Financial Reporting for Pensions*". We did not modify our opinion regarding this matter.

Other Matters

Supplemental Information

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

The Schedule of Federal Awards Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

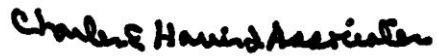
The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
October 30, 2015

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2015
(Unaudited)

The discussion and analysis of Lake Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015, within the limitations of the cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2015 are as follows:

- Net position of governmental activities increased by \$1,379,804 which represents a 66.5% increase from fiscal year 2014.
- General revenues accounted for \$16,252,924 in revenue or 86.8% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$2,465,436 or 13.2 % of total revenues of \$18,718,360.
- The District had \$17,338,556 in expenses related to governmental activities; only \$2,465,436 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$16,252,924 were also used to provide for these programs.

USING THE BASIC FINANCIAL STATEMENTS

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's cash basis of accounting.

REPORT COMPONENTS

The statement of net position and the statement of activities provide information about the cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money in which the use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the fiscal year ended June 30, 2015
(Unaudited)

BASIS OF ACCOUNTING

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

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

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2015, within the limitations of the cash basis of accounting. The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, these increases or decreases in the District's cash position is one indicator of whether the District's financial position is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors such as the District's property tax base, the condition of the District's capital assets and infrastructure, the extent of the District's debt obligations, the reliance on the non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net position and the statement of activities, all of the School District activities are presented as governmental activities. All of the School District's programs and services are reported here including instruction, support services, non-instructional services, food services and extracurricular activities.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the fiscal year ended June 30, 2015
(Unaudited)

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund financial statements provide detailed information about the School District's major funds - not the District as a whole. The District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the District are split into two categories.: governmental and fiduciary.

Governmental Funds - Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basis for services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to the District's programs.

The District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single columns. The District's major governmental funds are the General and Bond Retirement Funds.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs.

Table 1 provides a summary of the School District's net position for fiscal year 2015 compared to fiscal year 2014.

Table 1
Net Position

	Governmental Activities	
	2015	2014
<u>Assets</u>		
Cash and cash equivalents	\$ 3,453,520	\$ 2,073,716
<u>Total Assets</u>	<u>3,453,520</u>	<u>2,073,716</u>
<u>Net Position</u>		
Restricted	1,395,708	1,339,154
Unrestricted	<u>2,057,812</u>	<u>734,562</u>
<u>Total Net Position</u>	<u>\$ 3,453,520</u>	<u>\$ 2,073,716</u>

As mentioned previously, total net position increased \$ 1,379,804. The primary reasons were increases in tax revenue of \$323,616, grant revenue of \$577,096 and tuition and fees revenue of \$361,420. Also a decrease in capital outlay expenditures of \$406,242 contributed to the increase.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the fiscal year ended June 30, 2015
(Unaudited)**

Table 2 reflects the changes in net position for fiscal years 2015 and 2014.

**TABLE 2
Change in Net Position**

	<u>Governmental Activities</u>		<u>Net Increase</u>
	<u>2015</u>	<u>2014</u>	<u>(Decrease)</u>
<u>Revenue</u>			
<u>Program Revenues:</u>			
Charges for services and sales	\$ 1,505,184	\$ 1,043,279	\$ 461,905
Operating grants, contributions and interest	960,252	951,492	8,760
Capital grants, contributions and interest	-	19,390	(19,390)
<u>Total Program Revenues</u>	<u>2,465,436</u>	<u>2,014,161</u>	<u>451,275</u>
<u>General Revenues:</u>			
Property Taxes	8,872,498	8,548,882	323,616
Payment in lieu of taxes	11,000	7,306	3,694
Grants and entitlements	7,257,448	6,695,008	562,440
Interest	1,706	928	778
Proceeds from sale capital assets	500	-	500
Miscellaneous	61,738	39,453	22,285
Gifts and Donations	16,982	-	16,982
Loan Proceeds	-	500,000	(500,000)
Refund of Prior Year Expenditures	31,052	22,425	8,627
	<u>16,252,924</u>	<u>15,814,002</u>	<u>438,922</u>
<u>Total General Revenues</u>			
<u>Total Revenues</u>	<u>18,718,360</u>	<u>17,828,163</u>	<u>890,197</u>
<u>Expenditures</u>			
Instruction	9,698,288	9,539,221	159,067
Support services:			
Pupils	428,503	436,402	(7,899)
Instructional staff	449,333	322,443	126,890
Board of Education	64,442	78,180	(13,738)
Administration	1,253,680	1,214,331	39,349
Fiscal	495,859	495,161	698
Operation and maintenance of plant	1,641,890	1,663,016	(21,126)
Pupil transportation	873,652	721,238	152,414
Central	100,318	129,184	(28,866)
Non-Instructional	-	28	(28)
Food service operations	417,929	475,767	(57,838)
Extracurricular Activities	682,366	675,351	7,015
Capital outlay	32,183	438,425	(406,242)
Debt service - Principal	869,759	1,361,168	(491,409)
Interest and fiscal charges	330,354	339,757	(9,403)
<u>Total Expenditures</u>	<u>17,338,556</u>	<u>17,889,672</u>	<u>(551,116)</u>
<u>Increase (Decrease) in Net Position</u>	<u>1,379,804</u>	<u>(61,509)</u>	<u>1,441,313</u>
<u>Net Position Beginning of Year</u>	<u>2,073,716</u>	<u>2,135,225</u>	<u>(61,509)</u>
<u>Net Position End of Year</u>	<u>\$ 3,453,520</u>	<u>\$ 2,073,716</u>	<u>\$ 1,379,804</u>

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the fiscal year ended Jun 30, 2015
(Unaudited)

Program receipts account for 13.2% of total receipts and are represented by restricted intergovernmental receipts, extracurricular activities, and food service sales.

The major program disbursements for governmental activities are for instruction, which accounts for 55.9% of all governmental disbursements. Other programs which support the instruction process including pupils, instructional staff, and pupil transportation account for 30.6% of governmental disbursements. The remaining 13.5% of the District's disbursement are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes and grants and entitlements.

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of services supported by tax revenues and unrestricted state entitlements.

TABLE 3
Governmental Activities

	2015		2014	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 9,698,288	\$ 8,289,060	\$ 9,539,221	\$ 8,470,961
<u>Support Services</u>				
Pupils	428,503	426,310	436,402	436,402
Instructional staff	449,333	424,055	322,443	286,966
Board of Education	64,442	64,442	78,180	78,180
Administration	1,253,680	1,248,842	1,214,331	1,210,501
Fiscal	495,859	495,859	495,161	495,161
Plant Operation and Maintenance	1,641,890	1,641,890	1,663,016	1,657,616
Pupil transportation	873,652	873,652	721,238	721,238
Central	100,318	100,318	129,184	129,184
Non-instructional	-	-	28	28
Food service operations	417,929	(101,131)	475,767	33,586
Extracurricular activities	682,366	177,527	675,351	235,728
Capital outlay	32,183	32,183	438,425	419,035
Principal	869,759	869,759	1,361,168	1,361,168
Interest and fiscal charges	330,354	330,354	339,757	339,757
<u>Total Government Activities</u>	<u>\$17,338,556</u>	<u>\$14,873,120</u>	<u>\$17,889,672</u>	<u>\$15,875,511</u>

The School District is dependent upon tax revenues for governmental activities. Over 85.5% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 86.8%. The community, as a whole, is the primary support for Lake Local School District students.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the fiscal year ended June 30, 2015
(Unaudited)

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. Total governmental funds (excluding transfers and advances) had receipts of \$18,718,360 and disbursements of \$17,338,556. This resulted in a positive change in fund balance of \$1,379,804 for the fiscal year.

BUDGETARY HIGHLIGHTS

The School District prepares an annual budget of revenues and expenditures for all funds of the School District for use by School District officials and department heads and prepares such other budgetary documents as are required by State statute, including the annual appropriations resolution which is effective the first day of July. The School District's most significant budgeted fund is the General Fund. During the course of fiscal year 2015, the School District amended its General Fund budget as needed.

For the General Fund, the original and final budget basis receipts and other financing sources were \$14,607,757 each. Actual receipts of \$15,593,074 were higher than final budgeted estimates in the amount of \$985,317. The original and final budgetary basis disbursements were \$14,461,246 and \$14,898,320 respectively. The actual budgetary basis disbursements and other financing uses of \$14,503,410 were \$394,910 less than the final budget estimates.

Debt Administration

Debt

At June 30, 2015, the District had \$9,081,270 due from school improvement general obligation and energy conservation bonds, including accretion on capital appreciation bonds.

Note 14 provides additional details regarding debt.

CURRENT ISSUES

The District continues to experience stagnation from state funding. District receipts from Basic State Aid have not risen for this District since 2002 even though enrollment has increased 3% over this period.

Ohio has seen 4 different funding mechanisms over the last 10 years. The current formula has exposed a shortfall of actual funding to formula (called Formula Cap) of over 3.6 million dollars in FY14 through FY16 alone.

The District has also seen the decline, and the eventual elimination, of the locally collected business Tangible Personal Property (TPP) tax that the state replaced with the Commercial Activity (CAT) tax. The hold harmless loss provision, originally touted as "in perpetuity" has been changed several times, to the benefit of the state, and now will be completely phased out in 2019. At one time, the TPP represented 31% of the District's tax base and 12% of its operating income.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the fiscal year ended June 30, 2015
(Unaudited)

As a result, local property taxes, through additional levies, have risen 77% over this period. The District works hard to cost control, evidenced by a modest 32% increase in operating costs over that 14-year period, while still maintaining an "Excellent" or similar school rating.

Out of 614 Ohio School districts, the District had a remarkably low Expenditure Per Pupil of \$6,906 in FY13, which ranked 40th lowest in the state, while it maintained a Performance Index Rating of 101.8. Only 10 school districts in Ohio had a lower Expenditure Per Pupil and a higher Performance Index Rating. (Ranking data for expenditures and academic performance for FY14 and FY15 has not yet been provided by the State.)

Even though the District is classified as Small Town, High Poverty, dozens of Ohio school districts will this year receive more state aid per pupil than the District spends per pupil.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the School District's finances for all those interested in the School District's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Jeffrey L. Carpenter, Treasurer, Lake Local School District, 28090 Lemoyne Road, Millbury, Ohio 43447-9747.

Lake Local School District
Wood County

Statement of Net Position - Cash Basis
June 30, 2015

	<u>Governmental Activities</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 3,453,520
<i>Total Assets</i>	<u>\$ 3,453,520</u>
 NET POSITION:	
Restricted for Debt Service	\$ 715,154
Restricted for Capital Outlay	191,377
Restricted for Other Purposes	384,621
Restricted for Set Asides	22,919
Restricted for Bus Purchases	78,837
Restricted - for Scholarships:	
Non-spendable	2,800
Unrestricted	<u>2,057,812</u>
<i>Total Net Position</i>	<u>\$ 3,453,520</u>

The accompanying notes are an integral part of the financial statements.

Lake Local School District
Wood County

Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2015

	Program Receipts			Net(Disbursements) Receipts and Changes in Net Position
Expenses	Charges for Services and Sales	Operating Grants	Governmental Activities	
Governmental Activities:				
Instruction:				
Regular	\$ 7,437,347	\$ 774,834	\$ 138,947	\$ (6,523,566)
Special	2,178,357	-	495,447	(1,682,910)
Vocational	80,155	-	-	(80,155)
Student Intervention Services	450	-	-	(450)
Other	1,979	-	-	(1,979)
Support Services:				
Pupils	428,503	-	2,193	(426,310)
Instructional Staff	449,333	-	25,278	(424,055)
Board of Education	64,442	-	-	(64,442)
Administration	1,253,680	-	4,838	(1,248,842)
Fiscal	495,859	-	-	(495,859)
Operation and Maintenance of Plant	1,641,890	-	-	(1,641,890)
Pupil Transportation	873,652	-	-	(873,652)
Central	100,318	-	-	(100,318)
Food Service Operations	417,929	225,511	293,549	101,131
Extracurricular Activities	682,366	504,839	-	(177,527)
Capital Outlay	32,183	-	-	(32,183)
Debt Service				
Principal	869,759	-	-	(869,759)
Interest and Fiscal Charges	330,354	-	-	(330,354)
Total Governmental Activities	\$ 17,338,556	\$ 1,505,184	\$ 960,252	(14,873,120)
General Receipts:				
Taxes:				
Property Taxes, Levied for General Purposes				7,658,536
Property Taxes, Levied for Capital Outlay				266,421
Property Taxes, Levied for Debt Service				947,541
Payments in Lieu of Taxes				11,000
Grants and Entitlements not Restricted to Specific Programs				7,257,448
Gifts and Donations not Restricted to Specific Programs				16,982
Miscellaneous				61,738
Investment Earnings				1,706
Proceeds from the Sale of Capital Assets				500
Refund of Prior Year Expenditures				31,052
				16,252,924
Total General Receipts				16,252,924
Change in Net Position				1,379,804
Net Position Beginning of Year				2,073,716
Net Position End of Year				\$ 3,453,520

The accompanying notes are an integral part of the financial statements.

Lake Local School District
Wood County

Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2015

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	\$ 2,085,121	\$ 715,154	\$ 551,489	\$ 3,351,764
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	<u>101,756</u>	<u>-</u>	<u>-</u>	<u>101,756</u>
<i>Total Assets</i>	<u><u>2,186,877</u></u>	<u><u>715,154</u></u>	<u><u>551,489</u></u>	<u><u>3,453,520</u></u>
FUND BALANCES:				
Non-Spendable	-	-	2,800	2,800
Restricted	101,756	715,154	575,998	1,392,908
Assigned	290,705	-	-	290,705
Unassigned	<u>1,794,416</u>	<u>-</u>	<u>(27,309)</u>	<u>1,767,107</u>
<i>Total Fund Balances</i>	<u><u>\$ 2,186,877</u></u>	<u><u>\$ 715,154</u></u>	<u><u>\$ 551,489</u></u>	<u><u>\$ 3,453,520</u></u>

The accompanying notes are an integral part of the financial statements.

Lake Local School District
Wood County

Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
RECEIPTS:				
Property and Other Local Taxes	\$ 7,658,536	\$ 947,541	\$ 266,421	\$ 8,872,498
Intergovernmental	6,987,546	203,073	1,027,081	8,217,700
Interest	1,558	-	148	1,706
Tuition and Fees	741,340	-	-	741,340
Rent	5,000	-	-	5,000
Extracurricular Activities	141,671	-	240,181	381,852
Gifts and Donations	24,686	-	135,897	160,583
Customer Sales and Services	5,730	-	227,661	233,391
Payments in Lieu of Taxes	-	-	11,000	11,000
Miscellaneous	61,738	-	-	61,738
Total Receipts	15,627,805	1,150,614	1,908,389	18,686,808
DISBURSEMENTS				
Current:				
Instruction:				
Regular	7,248,827	-	188,520	7,437,347
Special	1,632,983	-	545,374	2,178,357
Vocational	80,155	-	-	80,155
Student Intervention Services	-	-	450	450
Other	-	-	1,979	1,979
Support Services:				
Pupils	425,210	-	3,293	428,503
Instructional Staff	420,808	-	28,525	449,333
Board of Education	61,092	3,350	-	64,442
Administration	1,248,842	-	4,838	1,253,680
Fiscal	477,796	13,832	4,231	495,859
Operation and Maintenance of Plant	1,504,393	-	137,497	1,641,890
Pupil Transportation	702,198	-	171,454	873,652
Central	96,735	-	3,583	100,318
Food Service Operations	-	-	417,929	417,929
Extracurricular Activities	380,200	-	302,166	682,366
Capital Outlay	-	-	32,183	32,183
Debt Service:				
Principal	-	780,000	89,759	869,759
Interest	-	315,500	14,854	330,354
Total Disbursements	14,279,239	1,112,682	1,946,635	17,338,556
Excess of Revenues Over (Under) Expenditures	1,348,566	37,932	(38,246)	1,348,252
OTHER FINANCING SOURCES AND USES:				
Transfers In	-	-	80,089	80,089
Advances In	8,817	-	5,451	14,268
Preceeds from the Sale of Capital Assets	-	-	500	500
Refund of Prior Year Expenditures	29,069	-	1,983	31,052
Transfers Out	(66,071)	-	(14,018)	(80,089)
Advances Out	(5,451)	-	(8,817)	(14,268)
Total Other Financing Sources and Uses	(33,636)	-	65,188	31,552
Net Change in Fund Balances	1,314,930	37,932	26,942	1,379,804
Fund Balance at Beginning of Year	871,947	677,222	524,547	2,073,716
Fund Balance at End of Year	\$ 2,186,877	\$ 715,154	\$ 551,489	\$ 3,453,520

The accompanying notes are an integral part of the financial statements.

Lake Local School District
Wood County

Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive/(Negative)
RECEIPTS:				
Property and Other Local Taxes	\$ 7,376,500	\$ 7,376,500	\$ 7,658,536	\$ 282,036
Intergovernmental	6,674,207	6,674,207	6,987,546	313,339
Interest	900	900	1,558	658
Tuition and Fees	381,650	381,650	706,718	325,068
Rent	5,000	5,000	5,000	-
Extracurricular Activities	37,000	37,000	37,305	305
Gifts and Donations	-	-	4,454	4,454
Customer Sales and Services	3,500	3,500	5,730	2,230
Miscellaneous	4,000	4,000	61,732	57,732
Total Receipts	14,482,757	14,482,757	15,468,579	985,822
DISBURSEMENTS:				
Current:				
Instruction:				
Regular	7,103,844	7,188,412	7,141,971	46,441
Special	1,512,951	1,716,276	1,643,025	73,251
Vocational	78,717	82,523	80,829	1,694
Student Intervention Services	6,000	6,000	-	6,000
Support Services:				
Pupils	451,638	437,773	427,648	10,125
Instructional Staff	486,189	434,932	422,038	12,894
Board of Education	67,347	67,208	62,207	5,001
Administration	1,154,544	1,332,498	1,287,997	44,501
Fiscal	490,766	484,298	478,407	5,891
Operation and Maintenance of Plant	1,683,232	1,635,715	1,591,110	44,605
Pupil Transportation	767,454	749,377	722,886	26,491
Central	189,234	199,388	106,478	92,910
Extracurricular Activities:				
Academic Oriented Activities	69,215	70,715	69,148	1,567
Sport Oriented Activities	320,115	333,205	311,435	21,770
Total Disbursements	14,381,246	14,738,320	14,345,179	393,141
Excess of Revenues Over (Under) Expenditures	101,511	(255,563)	1,123,400	1,378,963
OTHER FINANCING SOURCES AND USES:				
Transfers In	125,000	125,000	86,709	(38,291)
Tax Anticipation Notes Issued	-	-	8,817	8,817
Refund of Prior Year Expenditures	-	-	28,969	28,969
Transfers Out	(70,000)	(154,000)	(152,780)	1,220
Advances Out	(10,000)	(6,000)	(5,451)	549
Total Other Financing Sources and Uses	45,000	(35,000)	(33,736)	1,264
Net Change in Fund Balances	146,511	(290,563)	1,089,664	1,380,227
Fund Balance (Deficit) at Beginning of Year	476,836	476,836	476,836	-
Prior Year Encumbrances Appropriated	335,540	335,540	335,540	-
Fund Balance (Deficit) at End of Year	\$ 958,887	\$ 521,813	\$ 1,902,040	\$ 1,380,227

The accompanying notes are an integral part of the financial statements.

Lake Local School District
Wood County

Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2015

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
ASSETS:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 720,383	\$ 46,228
<i>Total Assets</i>	\$ 720,383	\$ 46,228
NET POSITION:		
Held for Student Activities	\$ -	\$ 46,228
Held in Trust for Scholarships	720,383	-
<i>Total Net Position</i>	\$ 720,383	\$ 46,228

The accompanying notes are an integral part of the financial statements.

Lake Local School District
Wood County

Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2015

	<u>Private Purpose Trust Fund</u>
ADDITIONS:	
Gifts and Contributions	\$ 1,340
Interest	<u>27,579</u>
<i>Total Additions</i>	28,919
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>46,000</u>
<i>Total Deductions</i>	<u>46,000</u>
<i>Change in Net Position</i>	(17,081)
<i>Net Position Beginning of Year</i>	<u>737,464</u>
<i>Net Position End of Year</i>	<u><u>\$ 720,383</u></u>

The accompanying notes are an integral part of the financial statements.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - REPORTING ENTITY

Lake Local School District is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

The District is located in a rural community in Northwest Ohio. It is staffed by 42 non-certificated employees, 98 certificated teaching personnel and 13 administrative employees who provide services to 1,822 students and other community members.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government 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. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The District is associated with eight organizations as follows: Northwest Ohio Computer Association, Northern Buckeye Education Council, Penta Career Center, Northwest Ohio Educational Council, and the Ohio Schools Council, which are defined as jointly governed organizations; the Ohio Association of School Business Officials Group Rating Program, Wood County Insurance Consortium, and Southwestern Ohio Educational Purchasing Council which are insurance purchasing pools. These organizations are presented in Notes 17 and 18 to the basic financial statements.

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

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis Of Accounting

Although required by Ohio Administrative Code Sections 117-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

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

Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund statements versus budgetary expenditures are due to encumbrances outstanding at the beginning and end of the fiscal year and other funds being budgeted separately.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

B. Basis Of Presentation

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

1. 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. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis Of Presentation (Continued)

1. Government-Wide Financial Statements (Continued)

Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis or draws from the School District's general receipts.

2. Fund Financial Statements

During the fiscal 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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

C. Fund Accounting

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

1. Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The School District's major funds are the General Fund and Bond Retirement Fund.

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

1. Governmental Funds (Continued)

Bond Retirement Fund - The Bond Retirement Fund is used to account for property tax revenues and transfers from the General Fund to pay the principal and related interest on the School District's school improvement bonds.

The other governmental funds of the School District account for grants and other resources and capital projects of the School District whose use are restricted to a particular purpose and to pay the principal and related interest on the School District's energy conservation improvement bonds.

2. Fiduciary Fund Types

The fiduciary fund category is split into two classifications: 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 not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature. The School District's agency fund accounts for various student-managed activities.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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

E. Cash and Cash Equivalents

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

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

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

During 2015, the School District invested in nonnegotiable certificates of deposit, and STAR Ohio. Investments are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2015.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$1,558.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside for bus purchases and budget stabilization.

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Accumulated Leave

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

J. Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. A capital lease asset is not recognized in the financial statements upon entering into a capital lease as it is not the result of a cash transaction. Lease payments are reported when paid.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Net Position

Net position is reported as restricted when there are limitations imposed on use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursements for specific purposes.

The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

L. Fund Balance

Fund balance is divided into five classifications 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 classifications are as follows:

Non-Spendable - The non-spendable classification 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" includes items that are not expected to be converted to cash.

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 classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the 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 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 the Board of Education or approved by the Treasurer.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balance (Continued)

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

M. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are presented as advances.

N. Pensions

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No.68, "Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27." The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information. The implementation of GASB Statement No. 68 did not have an effect on the financial statements of the School District.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES (continued)

GASB Statement No.71, "Pension Transition for contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68." This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net position liability. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. The implementation of GASB Statement No 71 did not have an effect on the financial statements of the School District.

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

Compliance

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (Continued)

Compliance (Continued)

At June 30, 2015, there was a deficit in the special revenue funds listed below.

<u>Fund</u>	<u>Fund Description</u>	<u>Deficit Balance</u>
Special Revenue		
440	Entry Year Grant	\$23,861
572	Title 1 - FY 14	4,816

The School District has a request for payment pending with the grant agencies to cover the amount of the deficit for these funds.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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 Receipts, Expenditures, and Changes in Fund Balance - Budget and Actual - Budgetary Basis presented for the General fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a restricted, committed or assigned fund balance (cash basis).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the general fund.

<u>Net Change in Fund Balance</u>	
Budget basis	\$1,089,664
Funds budgeted elsewhere **	(6,769)
Adjustments for encumbrances	<u>232,035</u>
Cash basis	<u>\$1,314,930</u>

** As part of Government Accounting Standards Board No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund. This includes the uniform school supplies and public school support funds.

NOTE 6 - DEPOSITS AND INVESTMENTS

Monies held by the School District are classified, by State statute, into three categories.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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.

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

1. United States treasury bills, bonds, notes, 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 obligation or security 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 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. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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.

At year end, the School District had \$560 in un-deposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

At June 30, 2015, the carrying amount of the School District's deposits was \$1,150,967. The School District's bank balance of \$1,309,213 was not exposed to custodial risk.

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Investments - As of June 30, 2015, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
STAR Ohio	<u>\$3,068,604</u>	Less than 90 days
Total Investments	<u>\$3,068,604</u>	

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The investment policy restricts the Treasurer from investing in anything other than as identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the School District.

STAR Ohio carries a rating of AAA by Standard and Poor's.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has limited custodial risk on the above investments as they are held in the School District's name by its agent. The School District has no investment policy dealing with custodial credit risk beyond the requirements of State statute which prohibit payment for investments prior to the delivery of the securities representing the investments to the treasurer or qualified trustee.

The School District places no limit on the amount it may invest in any one issuer.

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year. Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the School District.

Real property tax receipts received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after October 1, 2014 on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Real property taxes are payable annually or 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 receipts received in calendar year 2015 represent the collection of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after October 1, 2014 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal is currently assessed at varying percentages of true value.

Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 7 - PROPERTY TAXES (Continued)

The School District receives property taxes from Wood and Ottawa Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2015 are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2015 taxes were collected are:

	<u>2014 Second-Half Collections</u>		<u>2015 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Property	\$210,328,910	93.60%	\$216,361,970	93.76%
Public Utility	<u>14,388,540</u>	<u>6.40</u>	<u>14,389,850</u>	<u>6.24</u>
Total Assessed Value	<u>\$224,717,450</u>	<u>100.00%</u>	<u>\$230,751,820</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$66.64		\$66.64	

NOTE 8 - INTERFUND TRANSFERS / ADVANCES

During the year ended June 30, 2015 the District transferred \$66,071 from the General Fund, a Major Governmental Fund, to the following Non-major Governmental Funds:

Gifted Identification Grant	\$ 5,419
Entry Year	3,501
Title I FY 2015	51,911
Title II A FY 2015	<u>5,240</u>
Total	<u>\$66,071</u>

During the year ended June 30, 2015 the District transferred \$14,018 from Flyer Club Athletics Fund, a Non-major Governmental Fund, to the following Non-major Governmental Fund:

Turf and Track Fund	<u>\$14,018</u>
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During the year ended June 30, 2015, the District advanced \$5,451 from the General Fund, a Major Governmental Fund, to the following Non-major Governmental fund:

Scholarship student activities	<u>\$5,451</u>
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**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 9 - PAYMENT IN LIEU OF TAXES

According to State law, Wood County has entered into agreements with a number of property owners under which the County has granted property tax exemptions to those property owners. The property owners have agreed to make payments to the County which reflect all or a portion of the property taxes which the property owners would have paid if the taxes had not been exempted. The agreements provide for a portion of these payments to be paid to the District. The property owners' contractually promise to make these payments in lieu of taxes until the agreement expires.

NOTE 10- RISK MANAGEMENT

The 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 District maintains comprehensive insurance coverage through Southwestern Ohio Educational Purchasing Council, an insurance purchasing pool (See Note 18), for the areas described below.

Property Damage	\$350,000,000
Commercial General Liability	
General aggregate	3,000,000
Each Occurrence	1,000,000
Automobile Liability	1,000,000
School Board Legal Liability	1,000,000
Employee Benefits Liability	
Aggregate	3,000,000
Each occurrence	1,000,000

There have been no significant reductions in insurance coverage from fiscal year 2014, and settled claims, if any, have not exceeded coverage in any of the past three years.

The District pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The School District is a member of a cooperative group of Wood County Schools established to provide a self-insurance fund to pay medical/surgical, and prescription drug benefits of employees and their covered dependents. The medical insurance program operates under the control of a Board of Trustees representing the member school and is administered by Medical Mutual of Ohio. The plan provides a medical/surgical plan with a \$100 single and \$200 family deductible. The plan also provides prescription drug care through the major medical portion of the plan. Dental care is provided through Medical Mutual of Ohio and vision insurance through Vision Service Plan. For further information regarding the insurance consortium, refer to Note 17 to the basic financial statements.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	<u>Eligible to Retire on or before August 1, 2017 *</u>	<u>Eligible to Retire on or after August 1, 2017</u>
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 thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$197,844 for fiscal year 2015.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$777,828 for fiscal year 2015.

Net Pension Liability

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

Net Pension Liability (Continued)

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$2,645,406	\$13,114,928	\$15,760,334
Proportion of the Net Pension Liability	0.052271%	0.05391884%	

Actuarial Assumptions - SERS

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

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

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

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

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - SERS (Continued)

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

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

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

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

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - SERS (Continued)

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 net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of net pension liability	\$3,774,208	\$2,645,406	\$1,695,985

Actuarial Assumptions - STRS

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

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

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

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - STRS (Continued)

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - STRS (Continued)

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of net pension liability	\$18,775,449	\$13,114,928	\$8,328,032

NOTE 12 - POSTEMPLOYMENT BENEFITS

School Employee Retirement System

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

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

School Employees Retirement System (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$26,596.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$11,588, \$1,951 and \$2,235 respectively. For fiscal year 2015, 88 percent has been contributed. The full amount has been contributed for fiscal years 2014 and 2013.

State Teachers Retirement System

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$54,810 and \$53,808 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 13 - LEASES

The School District leases copiers from Office Products, Inc. The School District disbursed \$24,164 to pay lease costs for the copiers during the year ended June 30, 2015.

<u>Year Ending June 30,</u>	<u>Copier Lease Amount</u>
2016	\$24,164
2017	<u>4,027</u>
Total	<u>\$28,191</u>

NOTE 14 - LONG TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2015 were as follows:

	<u>Principal Outstanding 6/30/14</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/15</u>	<u>Amounts Due in One Year</u>
General Obligation Bonds:					
Middle School Bonds					
Interest Rate 4.2% - 5.2%	\$ 375,000	\$ -	\$ -	\$ 375,000	\$375,000
2007 Refunding					
Serial Bonds 4.0%	6,215,000	-	-	6,215,000	-
Term Bonds 4.0%	1,185,000	-	-	1,185,000	-
Capital Appreciation Bonds	574,990	-	259,935	315,055	117,337
Accretion on Capital Appreciation Bonds	1,033,782	185,176	520,065	698,893	287,663
Energy Conservation Improvement Bonds					
Interest Rate - 4.125%	<u>382,081</u>	<u>-</u>	<u>89,759</u>	<u>292,322</u>	<u>93,472</u>
Total General Long Term Obligations	<u>\$ 9,765,853</u>	<u>\$185,176</u>	<u>\$869,759</u>	<u>\$ 9,081,270</u>	<u>\$873,472</u>

FY 2001 School Improvement Bonds - on May 1, 2001 the District issued \$14,799,995 in voted general obligation bonds for construction and renovation at the middle school and other buildings. The bond issue included serial, term, and capital appreciation bonds. The bonds were issued for a twenty-five year period, with final maturity during fiscal year 2025. The District issued \$9,139,990 in refunding bonds to retire a portion of these bonds. The remaining \$5,660,005 in bonds will be fully retired on December 1, 2015.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 14 - LONG TERM OBLIGATIONS (Continued)

FY 2007 School Improvement Refunding Bonds - On January 25, 2007 the School District issued bonds, in the amount of \$9,139,990, to partially refund bonds previously issued in 2001 for construction and renovation to the District's middle school. The bond issue included serial, term, and capital appreciation bonds in the amounts of \$7,380,000, \$1,185,000, and \$574,990 respectively. The bonds were issued at a premium of \$794,111. The bonds were issued for a nineteen year period, with final maturity during fiscal year 2025.

Energy Conservation Improvement Bonds - On March 11, 2008, the District obtained a loan, in the amount of \$850,000 to provide energy conservation measures for the District. The loan was obtained for a ten year period, with final maturity in fiscal year 2018.

Principal and interest requirements to retire obligation bonds outstanding at June 30, 2015, were are follows:

Middle School Renovation General Obligation Bonds - 2001

<u>Fiscal Year Ending June 30,</u>	<u>Serial Bond Principal</u>	<u>Serial Bond Interest</u>	<u>Total</u>
2016	<u>\$375,000</u>	<u>\$ 9,750</u>	<u>\$384,750</u>
Total	<u>\$375,000</u>	<u>\$ 9,750</u>	<u>\$384,750</u>

Middle School Renovation Refunding Bonds - 2007

<u>Fiscal Year Ending June 30,</u>	<u>Serial Bond Principal</u>	<u>Serial Bond Interest</u>	<u>Term Bond Principal</u>	<u>Term Bond Interest</u>	<u>Capital Appreciation Principal</u>	<u>Capital Appreciation Interest</u>	<u>Total</u>
2016	\$ -	\$ 248,600	\$ -	\$ 47,400	\$117,337	\$287,663	\$ 701,000
2017	-	248,600	-	47,400	197,718	587,282	1,081,000
2018	785,000	232,900	-	47,400	-	-	1,065,300
2019	820,000	200,800	-	47,400	-	-	1,068,200
2020	850,000	167,400	-	47,400	-	-	1,064,800
2021-2025	3,760,000	308,400	-	189,600	-	-	4,258,000
2026	<u>-</u>	<u>-</u>	<u>1,185,000</u>	<u>29,900</u>	<u>-</u>	<u>-</u>	<u>1,214,900</u>
Total	<u>\$6,215,000</u>	<u>\$1,406,700</u>	<u>\$1,185,000</u>	<u>\$456,500</u>	<u>\$315,055</u>	<u>\$874,945</u>	<u>\$10,453,200</u>

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 14 - LONG TERM OBLIGATIONS (Continued)

The annual requirements to amortize energy conservation note outstanding as of June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 93,472	\$11,141	\$104,613
2017	97,396	7,217	104,613
2018	<u>101,454</u>	<u>3,159</u>	<u>104,613</u>
Total	<u>\$292,322</u>	<u>\$21,517</u>	<u>\$313,839</u>

NOTE 15 - FUND BALANCES

Fund balance is classified as non-spendable, 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 below:

	<u>General</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>FUND BALANCE</u>				
<u>Non-spendable</u>				
Scholarship	\$ -	\$ -	\$ 2,800	\$ 2,800
<u>Restricted for:</u>				
Athletics / Music	-	-	218,919	218,919
Education Management	-	-	226	226
Information System	-	-	99,315	99,315
Food Service	-	-	66,161	66,161
Various Education Purposes	-	-	-	-
Debt Service	-	715,154	-	715,154
Budget Stabilization	22,919	-	-	22,919
Bus purchases	78,837	-	-	78,837
Capital Improvements	<u>-</u>	<u>-</u>	<u>191,377</u>	<u>191,377</u>
<u>Total Restricted</u>	<u>101,756</u>	<u>715,154</u>	<u>575,998</u>	<u>1,392,908</u>
<u>Assigned for:</u>				
Educational Activities	52,796	-	-	52,796
Unpaid Obligations	<u>237,909</u>	<u>-</u>	<u>-</u>	<u>237,909</u>
<u>Total Assigned</u>	<u>290,705</u>	<u>-</u>	<u>-</u>	<u>290,705</u>
<u>Unassigned</u>	<u>1,794,416</u>	<u>-</u>	<u>(27,309)</u>	<u>1,767,107</u>
<u>TOTAL FUND BALANCE</u>	<u>\$2,186,877</u>	<u>\$715,154</u>	<u>\$551,489</u>	<u>\$ 3,453,520</u>

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 16 - SET ASIDE REQUIRMENTS

The District is required by state statute to annually set aside in the general fund an amount based on a statutory formula for the purpose of the acquisition and construction of capital improvements. Amounts not spent by year-end 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 purpose in future years. The following cash basis information identifies the changes in the fund balance reserves for capital improvements and budget stabilization during fiscal year 2015.

	<u>Capital Improvements</u>	<u>Budget Stabilization Reserve</u>
Balance July 1, 2014	\$ -	\$22,919
Required Set-Aside	272,154	-
Qualifying Cash Disbursements	<u>(272,154)</u>	<u>-</u>
Totals	<u>\$ -</u>	<u>\$22,919</u>
Amount carried forward to Future Fiscal Years	<u>\$ -</u>	<u>\$22,919</u>
Set Aside Reserve Balance - June 30, 2015	<u>\$ -</u>	<u>\$22,919</u>

The School District had qualifying disbursements that offset the required set aside for Capital Improvements reserve for the year.

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended Ohio Revised Code § 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. S.B. 345 places special restrictions on the use of Bureau of Workers Compensation (BWC) rebate money remaining in the budget stabilization as of April 10, 2001, which is \$22,919 at June 30, 2015.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Computer Association

The School District is a participant in the Northwest Ohio Computer Association (NWOCA) which is a computer consortium. NWOCA is an association of education entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood counties in northwestern Ohio. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Financial information can be obtained from the Northwest Ohio Computer Association, 209 Nolan Parkway, Archbold, Ohio 43502.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, Lucas, Williams, and Wood counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity.

Total disbursements made by the School District to Northern Buckeye Education Council during this fiscal year were approximately \$93,163. These payments include services for NWOCA. Financial information can be obtained from the Northern Buckeye Educational Council, 209 Nolan Parkway, Archbold, Ohio 43502.

Penta Career Center

The Penta Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a Board consisting of eleven members from the participating School Districts' elected Boards. Board members are appointed for a term of two years to serve the sixteen participating school districts. Six members are appointed during the even number years, one each from the Lucas, Ottawa, and Wood County Educational Service Centers, one each from the Bowling Green and Maumee City School Districts, and one from the Rossford Exempted Village School District. Five members are appointed during the odd number years, one each from the Fulton, Lucas, Sandusky, and Wood County Educational Service Centers and one from the Perrysburg Exempted Village School District. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from Penta Career Center, 9301 Buck Road, Perrysburg, Ohio 43551.

The Northwest Ohio Educational Council

The NWOEC was established to foster cooperation among various school districts within Ohio that participate in the Northwest Ohio Educational Council Self-Insurance Pool Program (NWOEC Program). NWOEC is organized under 167.01 of the Ohio Revised Code as a regional council of governments pursuant to a written agreement entered into by its members and by policies adopted by the member school districts. The nine member Insurance Committee conducts the business and affairs of the NWOEC program.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Ohio Schools Council

The Ohio Schools Council is a jointly governed organization established under Chapter 167, Revised Code. The Council was created by school districts for the purpose of saving money through volume purchases. The Council consists of 108 school districts throughout Ohio. Each school district member superintendent serves as a representative of the Assembly. The Assembly is the legislative body of the Council. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association.

NOTE 18 - INSURANCE PURCHASING POOL

Ohio Association of School Business Officials Group Rating Program

The School District participates in the Ohio Association of School Business Officials Group Rating Program, a workers' compensation insurance group purchasing pool. Each year, the participating school districts pay an enrollment fee to cover the costs of administering the program.

Wood County Insurance Consortium

The Wood County Insurance Consortium (WCIC) is a public entity shared risk pool consisting of six local school districts, two exempted village school districts, a city school district, a joint vocational school, and the Educational Service Center. WCIC is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and other benefits to the employees of the participating entities. Each participating entity's superintendent is appointed to an Administrative Committee which advises the Trustee, The Hylant Group, concerning aspects of the administration of the WCIC.

Each entity decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the WCIC is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Medical Mutual of Ohio, P.O. Box 943, Toledo, Ohio 43656.

Southwestern Ohio Educational Purchasing Council

The District participates in the Southwestern Ohio Educational Purchasing Council, an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Pool is an unincorporated nonprofit association of its members which enable the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a board consisting of superintendents, treasurers, and others. Financial information can be obtained from Southwestern Ohio Educational Purchasing Council, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377-1171.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 19 - CONTINGENCIES

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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2015.

Litigation

The School District is of the opinion that any current or future claims will either result in a favorable outcome or be covered by current policies, so as not to materially affect financial position of the School District.

Foundation Funding

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

Lake Local School District
Wood County
Schedule of Federal Awards Receipts and Expenditures
For the Year Ending June 30, 2015

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Federal Receipts	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Nutrition Cluster:			
<i>Passed through Ohio Department of Education:</i>			
Cash Assistance:			
National School Lunch Program:	10.555	\$ 232,639	\$ 232,639
School Breakfast Program	10.553	55,021	55,021
<i>Direct Program:</i>			
Non-Cash Assistance:			
National School Lunch Program (Commodities - Note 2)	10.555	26,514	26,514
Total Nutrition Cluster		<u>314,174</u>	<u>314,174</u>
Total U.S. Department of Agriculture		314,174	314,174
<u>U.S. Department of Education</u>			
<i>Passed through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	207,532	253,595
IDEA - B	84.027	287,915	287,915
Title II-A, Improv. Teacher Quality	84.367	<u>47,779</u>	<u>51,904</u>
Total U.S. Department of Education		543,226	593,414
Total Federal Awards Receipts and Expenditures		\$ 857,400	\$ 907,588

See accompanying Notes to the Schedule of Federal Awards Receipts and Expenditures

LAKE LOCAL SCHOOL DISTRICT
Wood County, Ohio
Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2015

1. Significant Accounting Policies

The accompanying schedule of federal awards receipts and expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred.

2. Food Distribution

Nonmonetary assistance is reported in the schedule at entitlement value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2015, the District had immaterial food commodities in inventory.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Lake Local School District
Wood County
28090 Lemoyne Road
Millbury, Ohio 43447

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, Wood County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 30, 2015, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted the District adopted a new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*".

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated October 30, 2015.

District's Response to Finding

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

Purpose of this Report

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



Charles E. Harris & Associates, Inc.

October 30, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Lake Local School District
Wood County
28090 Lemoyne Road
Millbury, Ohio 43447

To the Board of Education:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Lake Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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 compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
October 30, 2015

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

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY
June 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

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

SCHEDULE OF FINDINGS - (continued)
OMB CIRCULAR A-133 SECTION .505

Lake Local School District
Wood County
June 30, 2015

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

FINDING NUMBER 2015-001 Noncompliance Finding

Ohio Revised Code § 117.38 provides each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code §117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepares its financial statements in accordance with the cash basis of accounting. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

We recommend the District prepare its statements in accordance with accounting principles generally accepted in the United States of America.

Officials' Response:

As one of the many cost cutting items identified for Fiscal Year 2015, the Board agreed with the Treasurer's recommendation to suspend the preparation and compilation of the traditional GAAP reports due to its high cost versus the limited value and usage of these reports.

3. FINDINGS FOR FEDERAL AWARDS

None.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY
JUNE 30, 2015**

SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2014 - 01	Noncompliance - Ohio Revised Code § 117.38 – Financial report not in accordance to GAAP	No	Repeated as Finding 2015-001

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Dave Yost • Auditor of State

LAKE LOCAL SCHOOL DISTRICT

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 11, 2016