



Dave Yost • Auditor of State

**LAKE LOCAL SCHOOL DISTRICT
STARK COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	17
Statement of Activities.....	18
Fund Financial Statements:	
Balance Sheet – Governmental Funds	19
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund.....	23
Statement of Fund Net Position Proprietary Funds	24
Statement of Revenue, Expenses, and Changes in Fund Net Position Proprietary Funds.....	25
Statement of Cash Flows Proprietary Funds	26
Statement of Fiduciary Net Position Fiduciary Funds	27
Statement of Changes in Fiduciary Net Position Fiduciary Funds	28
Notes to the Basic Financial Statements	29
Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability	63
Schedule of School District Contributions	64

LAKE LOCAL SCHOOL DISTRICT
STARK COUNTY

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Federal Awards Receipts and Expenditures Schedule	67
Notes to the Federal Awards Receipts and Expenditures Schedule	68
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	69
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	71
Schedule of Findings.....	73



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake Local School District, Stark 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 accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake Local School District, Stark County, Ohio, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 9, 2016

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Lake Local School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

The discussion and analysis of the Lake Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers should review the notes to the financial statements as well as the financial statements themselves to enhance their understanding of the School District's finances.

Financial Highlights

Key financial highlights for 2015 are as follows:

- Net position increased \$2.3 million, or 8 percent in governmental activities from fiscal year 2014. Net position in the business-type activities decreased \$121,985.
- Total capital assets decreased \$1.2 million during fiscal year 2015. This was primarily related to current year depreciation exceeding current year additions.
- During the year, outstanding debt obligations decreased from \$25.1 million to \$22.7 million. The School District made maturity payments of \$1.4 million during fiscal year 2015, as well as completed a current debt refunding.

Using this Annual Report

This annual report consists of the MD&A, the basic financial statements and the notes to the basic financial statements. The basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Lake Local School District, the general fund and debt service fund are the most significant funds.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and deferred outflows and liabilities and deferred inflows* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Lake Local School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

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

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

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

The government-wide financial statements begin on page 17.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

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

Lake Local School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

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

The governmental fund financial statements begin on page 19.

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

The proprietary fund financial statements begin on page 24.

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. These activities are presented as private purpose trust funds. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 27 and 28. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

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Lake Local School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

The School District as a Whole

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

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
Assets						
Current and Other Assets	\$ 24,959,979	\$ 22,915,792	\$ 60,195	\$ 200,303	\$ 25,020,174	\$ 23,116,095
Capital Assets	33,848,618	35,089,312	69,242	82,062	33,917,860	35,171,374
<i>Total Assets</i>	<u>58,808,597</u>	<u>58,005,104</u>	<u>129,437</u>	<u>282,365</u>	<u>58,938,034</u>	<u>58,287,469</u>
Deferred Outflows of Resources	2,713,008	2,360,533	51,897	45,518	2,764,905	2,406,051
Liabilities						
Other Liabilities	3,783,560	3,831,128	77,258	95,422	3,860,818	3,926,550
Long-Term Liabilities	61,247,061	70,919,383	597,848	696,154	61,844,909	71,615,537
<i>Total Liabilities</i>	<u>65,030,621</u>	<u>74,750,511</u>	<u>675,106</u>	<u>791,576</u>	<u>65,705,727</u>	<u>75,542,087</u>
Deferred Inflows of Resources	22,629,916	14,041,220	91,906	0	22,721,822	14,041,220
Net Position						
Net Investment in Capital Assets	9,667,987	10,742,196	69,242	82,062	9,737,229	10,824,258
Restricted	1,972,181	1,670,420	0	0	1,972,181	1,670,420
Unrestricted	(37,779,100)	(40,838,710)	(654,920)	(545,755)	(38,434,020)	(41,384,465)
<i>Total Net Position</i>	<u>\$ (26,138,932)</u>	<u>\$ (28,426,094)</u>	<u>\$ (585,678)</u>	<u>\$ (463,693)</u>	<u>\$ (26,724,610)</u>	<u>\$ (28,889,787)</u>

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

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

Lake Local School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

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

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

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

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

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$14,244,215 to a deficit of \$28,889,787.

At year end, governmental activity capital assets of the School District represented 58 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. Net investment in capital assets was \$9.7 million at June 30, 2015. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Lake Local School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

A portion of the School District's net position, \$2 million or 7 percent, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position is a negative \$38.4 million.

Current and other assets in the governmental activities increased \$2 million from fiscal year 2014 mainly due to a \$1.9 million increase in cash. Long-term liabilities decreased by \$9.7 million. Over \$7 million is due to a decrease in net pension liability; the remaining is the result of matured and refunding debt transactions.

The decrease in lunch sales during fiscal year 2015 contributed to the decrease in business-type activities current assets of \$140,108 from fiscal year 2014 and depreciation expense decreased capital assets by \$12,820. In total, net position decreased \$121,985 from fiscal year 2014.

Table 2 shows the changes in net position for fiscal year 2015 compared to 2014.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 927,649	\$ 838,655	\$ 633,309	\$ 653,333	\$ 1,560,958	\$ 1,491,988
Operating Grants	3,422,447	3,391,725	305,750	332,170	3,728,197	3,723,895
Capital Grants	23,454	121,527	0	0	23,454	121,527
Total Program Revenues	4,373,550	4,351,907	939,059	985,503	5,312,609	5,337,410
<i>General Revenues:</i>						
Property Taxes	14,393,608	14,168,728	0	0	14,393,608	14,168,728
Grants and Entitlements Not Restricted	16,712,470	15,327,267	0	0	16,712,470	15,327,267
Other	110,143	51,792	1,192	1,611	111,335	53,403
Total General Revenues	31,216,221	29,547,787	1,192	1,611	31,217,413	29,549,398
Total Revenues	35,589,771	33,899,694	940,251	987,114	36,530,022	34,886,808
Program Expenses						
<i>Instruction:</i>						
Regular	14,373,125	14,191,901	0	0	14,373,125	14,191,901
Special	3,877,444	3,879,671	0	0	3,877,444	3,879,671
Vocational	460,772	466,302	0	0	460,772	466,302
Student Intervention Services	20,460	25,207	0	0	20,460	25,207
Other	1,442,977	1,343,274	0	0	1,442,977	1,343,274
<i>Support Services:</i>						
Pupils	1,506,275	1,406,163	0	0	1,506,275	1,406,163
Instructional Staff	1,131,391	1,061,255	0	0	1,131,391	1,061,255
Board of Education	25,410	30,323	0	0	25,410	30,323
Administration	2,025,661	1,931,183	0	0	2,025,661	1,931,183
Fiscal	648,053	660,429	0	0	648,053	660,429
Business	109,173	96,006	0	0	109,173	96,006
Operation and Maintenance of Plant	2,779,506	2,789,961	0	0	2,779,506	2,789,961
Pupil Transportation	1,850,220	1,872,974	0	0	1,850,220	1,872,974
Central	131,130	164,099	0	0	131,130	164,099

(continued)

Lake Local School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Operation of Non-Instructional Services:						
Community Services	563,343	498,357	0	0	563,343	498,357
Extracurricular Activities	1,216,422	1,215,061	0	0	1,216,422	1,215,061
Debt Service:						
Interest and Fiscal Charges	813,354	1,247,608	0	0	813,354	1,247,608
Issuance Costs	227,893	0	0	0	227,893	0
Enterprise Funds	0	0	1,162,236	1,184,026	1,162,236	1,184,026
<i>Total Expenses</i>	<u>33,202,609</u>	<u>32,879,774</u>	<u>1,162,236</u>	<u>1,184,026</u>	<u>34,364,845</u>	<u>34,063,800</u>
Transfers	(100,000)	1,519	100,000	(1,519)	0	0
<i>Increase (Decrease) in Net Position</i>	<u>\$ 2,287,162</u>	<u>\$ 1,021,439</u>	<u>\$ (121,985)</u>	<u>\$ (198,431)</u>	<u>\$ 2,165,177</u>	<u>\$ 823,008</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$2,406,051 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,761,728. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-Type Activities	Total
Total 2015 program expenses under GASB 68	\$ 33,202,609	\$ 1,162,236	\$ 34,364,845
Pension expense under GASB 68	(1,728,227)	(33,501)	(1,761,728)
2015 contractually required contribution	2,356,724	47,078	2,403,802
Adjusted 2015 program expenses	33,831,106	1,175,813	35,006,919
Total 2014 program expenses under GASB 27	32,879,774	1,184,026	34,063,800
Increase (Decrease) in program expenses not related pension	<u>\$ 951,332</u>	<u>\$ (8,213)</u>	<u>\$ 943,119</u>

Certain foundation payments for special education and transportation were reclassified to program revenue from general revenue for fiscal year 2015. For comparability purposes, fiscal year 2014 was also updated in Tables 2 and 3 to reflect this change.

Net position in the governmental activities increased \$2 million from fiscal year 2014. Revenues increased \$1.7 million, primarily in grants and entitlements not restricted. Program expenses increased \$322,835 from fiscal year 2014.

Net position in the business-type activities decreased \$121,985 from fiscal year 2014. This can be attributed to a decrease in lunch sales during fiscal year 2015 which was the result of implementing new health food requirements. Also, health insurance qualifications changed from 30 hours to 25 hours per week which resulted in more employees qualifying for health insurance coverage.

Lake Local School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Governmental Activities

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

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2015	2014	2015	2014
Instruction:				
Regular	\$ 14,373,125	\$ 14,191,901	\$ 14,016,549	\$ 13,854,389
Special	3,877,444	3,879,671	1,427,351	1,537,791
Vocational	460,772	466,302	162,521	133,346
Student Intervention Services	20,460	25,207	20,460	25,207
Other	1,442,977	1,343,274	1,442,977	1,343,274
Support Services:				
Pupils	1,506,275	1,406,163	1,506,275	1,406,163
Instructional Staff	1,131,391	1,061,255	1,115,863	1,033,500
Board of Education	25,410	30,323	25,410	30,323
Administration	2,025,661	1,931,183	2,008,004	1,923,429
Fiscal	648,053	660,429	648,053	660,429
Business	109,173	96,006	109,173	96,006
Operation and Maintenance of Plant	2,779,506	2,789,961	2,552,390	2,608,062
Pupil Transportation	1,850,220	1,872,974	1,784,200	1,803,062
Central	131,130	164,099	50,046	67,247
Operation of Non-Instructional Services:				
Community Services	563,343	498,357	33,641	2,017
Extracurricular Activities	1,216,422	1,215,061	884,899	756,014
Debt Service:				
Interest and Fiscal Charges	813,354	1,247,608	813,354	1,247,608
Issuance Costs	227,893	0	227,893	0
Total Expenses	\$ 33,202,609	\$ 32,879,774	\$ 28,829,059	\$ 28,527,867

Certain foundation payments for special education and transportation were reclassified to program revenue from general revenue for fiscal year 2015. For comparability purposes, the fiscal year 2014 column was also updated.

Lake Local School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

The dependence upon general revenues for governmental activities is apparent. Nearly 94 percent of governmental activities are supported through taxes and other general revenues; such revenues are 88 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Business-Type Activities

Business-type activities include our adult and supplemental education programs, the food service operation and the sale of uniform school supplies. These programs had total revenues of \$940,251 and expenses of \$1.2 million for fiscal year 2015. There were no significant fluctuations in operations as compared to the prior year.

Financial Analysis of the Government's Funds

Governmental Funds

Information about the School District's major funds starts on page 19. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$35.6 million, expenditures of \$34 million and net other financing sources and uses of \$284,463 for fiscal year 2015. The net change in fund balances for the fiscal year was an increase of \$1.9 million for all governmental funds with the most significant change in the general fund.

The general fund's net change in fund balance for fiscal year 2015 was an increase of \$1.5 million. The \$1.4 million increase in intergovernmental revenue accounts for most of the \$1.7 million increase in revenues over fiscal year 2014, which was from an increase in grants and entitlements not restricted. Expenditures increased \$1.4 million from fiscal year 2014. This can be attributed to overall increases in salaries and benefits during the year.

The fund balance of the debt service fund increased by \$263,630. This increase is due to debt refunding and premiums.

General Fund Budgeting Highlights

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

During the course of fiscal year 2015, the School District amended its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budget basis revenues of \$31.2 million were estimated \$59,179 less than actual revenues and \$66,533 less than original budget basis revenues. Intergovernmental revenue was slightly more than estimated.

Lake Local School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Final appropriations of \$30.4 million were \$632,452 more than original appropriations. Final appropriations were \$187,122 over actual expenditures due to cost saving efforts of the School District.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the School District had \$33.9 million invested in capital assets. Table 4 shows fiscal year 2015 balances compared with 2014.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 3,037,257	\$ 3,022,257	\$ 0	\$ 0	\$ 3,037,257	\$ 3,022,257
Land Improvements	346,962	457,707	0	0	346,962	457,707
Buildings and Improvements	29,118,623	30,148,121	0	0	29,118,623	30,148,121
Furniture and Equipment	621,179	552,701	69,242	82,062	690,421	634,763
Vehicles	647,569	831,498	0	0	647,569	831,498
Textbooks	77,028	77,028	0	0	77,028	77,028
<i>Totals</i>	<u>\$ 33,848,618</u>	<u>\$ 35,089,312</u>	<u>\$ 69,242</u>	<u>\$ 82,062</u>	<u>\$ 33,917,860</u>	<u>\$ 35,171,374</u>

The \$1.3 million decrease in capital assets was attributable to current year depreciation and disposals exceeding acquisitions. See Note 9 for more information about the capital assets of the School District.

Debt

At June 30, 2015, the School District had \$22.7 million in debt outstanding. See Note 14 for additional details. Table 5 summarizes bonds outstanding.

Table 5
Outstanding Debt
and Related Charges, at June 30

	Governmental Activities	
	2015	2014
General Obligation Bonds:		
2005 Refunding Bonds	\$ 0	\$ 18,295,000
2005 Capital Appreciation Bonds	0	271,941
2005 Capital Appreciation Bonds - Accretion	0	794,969
2005 Unamortized Bond Premium	0	1,890,175
2013 School Improvement Bonds	3,680,000	3,890,000
2015 Refunding Bonds	17,650,000	0
2015 Unamortized Bond Premium	1,334,380	0
<i>Total</i>	<u>\$ 22,664,380</u>	<u>\$ 25,142,085</u>

Lake Local School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

The decrease was primarily attributed to principal payments made during fiscal year 2015 as well as the current debt refunding.

Current Issues

The Lake Local School District (the "School District") continues to provide and be recognized for providing a quality education for our students in a closely monitored, cost controlled environment. The School District continues to rely on both state revenue and local property taxes for the continued support of public education. During fiscal year 2014-15, 58 percent of the School District's General Fund total revenue was derived from state sources, while 42 percent was derived from local and other sources.

The School District has made significant efforts to achieve the highest level of performance while maintaining a low cost. Based on performance index and expenditure per pupil for the 2013-2014 school year, there were only two school districts in the state of Ohio who performed better but spent less than Lake. With the latest state biennium budget, the School District did receive additional state funding in 2013-2014 and 2014-2015, which brought the state funding back from what had been lost over the years. The School Board and Administration continue to closely monitor revenues and expenditures and identify areas for improvement.

Beginning with the 2012-13 school year, the Ohio Department of Education changed the way they rate school districts and established the practice of assigning letter grades for ratings. By satisfying 24 of the State's 24 performance indicators for both 2012-13 and 2013-14, the School District earned "A's" under the State's newly implemented academic performance rating system. While results from the 2014-15 school year have not been released, we anticipate similar academic excellence.

The School District has demonstrated a continuing commitment to community partnerships. The concept of a true Community Center has been in place through partnerships with: Stark County YMCA, Stark County Library, Mercy Medical Center, Lake Township Chamber of Commerce and Lake Township Historical Society. The efforts to partner with stakeholders have also been championed by the Strategic Planning Process. As a result of our strategic planning process, our mission statement continues to be "Preparing All Students for Success" with a vision of "Excellence in Academics, Arts, and Athletics".

In early 2015, the School District refinanced its 2005 School Improvement Refunding Bonds to take full advantage of the favorable conditions in the current municipal bond market. After a review of the School District's performance, financial and community data, Standard & Poor's Ratings Service assigned a program rating of "AA" with an underlying rating of "AA-" for the bonds, which is defined as a "very strong" rating. The \$17,650,000 refinancing will save taxpayers of the School District more than \$3,000,000 in gross debt service savings over the life of the issue, significantly reducing the net interest cost of the Bonds.

Lake Local School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Beginning in the fall of 2014, the School District began a planning process to engage the community in a series of meetings to gather input about the future needs of the district and facilities. After hosting an Educational Futures Conference and two Community Dialogue meetings, survey data and input was compiled by a Steering Committee. The Steering Committee decided on a master plan that was recommended to the Superintendent and Board of Education. A three-part ballot issued was placed on the May 2015 ballot for voter approval, and subsequently passed with overwhelming support. The School District is now working with the Ohio School Facilities Commission on a district wide facility project. In addition to the bond issue, the ballot issue also included additional tax levies for permanent improvement, technology and safety and security purposes. The School District is very excited about the long-term district-wide facility plan, as well as immediate improvements to technology and security, all while maintaining fiscal stability for years to come.

All of the School District's resources have and will continue to be focused on meeting the needs of our stakeholders in this competitive marketplace, which is not only local, but state-wide and world-wide.

Contacting the School District's Financial Management

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

Lake Local School District
Stark County, Ohio
Statement of Net Position
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 9,357,828	\$ 34,300	\$ 9,392,128
Receivables:			
Accounts	19,985	13	19,998
Intergovernmental	142,664	25,882	168,546
Property Taxes	15,439,502	0	15,439,502
Nondepreciable Capital Assets	3,037,257	0	3,037,257
Depreciable Capital Assets (Net)	30,811,361	69,242	30,880,603
<i>Total Assets</i>	<u>58,808,597</u>	<u>129,437</u>	<u>58,938,034</u>
Deferred Outflows of Resources			
Pension:			
SERS	594,444	51,897	646,341
STRS	2,118,564	0	2,118,564
<i>Total Deferred Outflows of Resources</i>	<u>2,713,008</u>	<u>51,897</u>	<u>2,764,905</u>
Liabilities			
Accounts Payable	51,257	1,326	52,583
Accrued Wages and Benefits	3,051,765	52,851	3,104,616
Intergovernmental Payable	627,501	23,081	650,582
Accrued Interest Payable	53,037	0	53,037
Long Term Liabilities:			
Due Within One Year	2,045,204	12,297	2,057,501
Due In More Than One Year:			
Net Pension Liability	37,760,139	566,261	38,326,400
Other Amounts	21,441,718	19,290	21,461,008
<i>Total Liabilities</i>	<u>65,030,621</u>	<u>675,106</u>	<u>65,705,727</u>
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	14,275,138	0	14,275,138
Deferred Charge on Refunding	1,516,251	0	1,516,251
Pension:			
SERS	1,052,714	91,906	1,144,620
STRS	5,785,813	0	5,785,813
<i>Total Deferred Inflows of Resources</i>	<u>22,629,916</u>	<u>91,906</u>	<u>22,721,822</u>
Net Position			
Net Investment in Capital Assets	9,667,987	69,242	9,737,229
Restricted For:			
Capital Outlay	504,974	0	504,974
Debt Service	1,208,123	0	1,208,123
Athletics	187,869	0	187,869
Auxiliary Programs	4,453	0	4,453
Other Purposes	66,762	0	66,762
Unrestricted	(37,779,100)	(654,920)	(38,434,020)
<i>Total Net Position</i>	<u>\$ (26,138,932)</u>	<u>\$ (585,678)</u>	<u>\$ (26,724,610)</u>

See accompanying notes to the basic financial statements.

Lake Local School District
Stark County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Net (Expense) Revenue and Changes in Net Position						
	Program Revenues			Governmental Activities		Business-Type Activities	Total
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions			
Governmental Activities							
Instruction:							
Regular	\$ 14,373,125	\$ 280,705	\$ 75,871	\$ 0	\$ (14,016,549)	\$ 0	\$ (14,016,549)
Special	3,877,444	51,995	2,398,098	0	(1,427,351)	0	(1,427,351)
Vocational	460,772	0	298,251	0	(162,521)	0	(162,521)
Student Intervention Services	20,460	0	0	0	(20,460)	0	(20,460)
Other	1,442,977	0	0	0	(1,442,977)	0	(1,442,977)
Support Services:							
Pupils	1,506,275	0	0	0	(1,506,275)	0	(1,506,275)
Instructional Staff	1,131,391	0	15,528	0	(1,115,863)	0	(1,115,863)
Board of Education	25,410	0	0	0	(25,410)	0	(25,410)
Administration	2,025,661	0	17,657	0	(2,008,004)	0	(2,008,004)
Fiscal	648,053	0	0	0	(648,053)	0	(648,053)
Business	109,173	0	0	0	(109,173)	0	(109,173)
Operation and Maintenance of Plant	2,779,506	203,662	0	23,454	(2,552,390)	0	(2,552,390)
Pupil Transportation	1,850,220	0	66,020	0	(1,784,200)	0	(1,784,200)
Central	131,130	78,984	2,100	0	(50,046)	0	(50,046)
Operation of Non-Instructional Services:							
Community Services	563,343	0	529,702	0	(33,641)	0	(33,641)
Extracurricular Activities	1,216,422	312,303	19,220	0	(884,899)	0	(884,899)
Debt Service:							
Interest and Fiscal Charges	813,354	0	0	0	(813,354)	0	(813,354)
Issuance Costs	227,893	0	0	0	(227,893)	0	(227,893)
<i>Total Governmental Activities</i>	<u>33,202,609</u>	<u>927,649</u>	<u>3,422,447</u>	<u>23,454</u>	<u>(28,829,059)</u>	<u>0</u>	<u>(28,829,059)</u>
Business-Type Activities							
Food Service	1,022,167	526,538	305,750	0	0	(189,879)	(189,879)
Uniform School Supplies	130,241	100,506	0	0	0	(29,735)	(29,735)
Supplemental Education	9,828	6,265	0	0	0	(3,563)	(3,563)
<i>Total Business-Type Activities</i>	<u>1,162,236</u>	<u>633,309</u>	<u>305,750</u>	<u>0</u>	<u>0</u>	<u>(223,177)</u>	<u>(223,177)</u>
<i>Totals</i>	<u>\$ 34,364,845</u>	<u>\$ 1,560,958</u>	<u>\$ 3,728,197</u>	<u>\$ 23,454</u>	<u>\$ (28,829,059)</u>	<u>\$ (223,177)</u>	<u>\$ (29,052,236)</u>
General Revenues							
Property Taxes Levied for:							
General Purposes					12,654,280	0	12,654,280
Debt Service					1,739,328	0	1,739,328
Grants and Entitlements Not Restricted to Specific Programs					16,712,470	0	16,712,470
Investment Earnings					12,796	45	12,841
Miscellaneous					97,347	1,147	98,494
<i>Total General Revenues</i>					<u>31,216,221</u>	<u>1,192</u>	<u>31,217,413</u>
Transfers					(100,000)	100,000	0
<i>Change in Net Position</i>					<u>2,287,162</u>	<u>(121,985)</u>	<u>2,165,177</u>
<i>Net Position Beginning of Year-Restated, See Note 2-S</i>					<u>(28,426,094)</u>	<u>(463,693)</u>	<u>(28,889,787)</u>
<i>Net Position End of Year</i>					<u>\$ (26,138,932)</u>	<u>\$ (585,678)</u>	<u>\$ (26,724,610)</u>

See accompanying notes to the basic financial statements.

Lake Local School District
Stark County, Ohio
Balance Sheet
Governmental Funds
June 30, 2015

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash Equivalents	\$ 7,535,596	\$ 1,114,593	\$ 707,639	\$ 9,357,828
Receivables:				
Accounts	16,517	0	3,468	19,985
Intergovernmental	10,537	0	132,127	142,664
Property Taxes	13,577,917	1,861,585	0	15,439,502
<i>Total Assets</i>	<u>\$ 21,140,567</u>	<u>\$ 2,976,178</u>	<u>\$ 843,234</u>	<u>\$ 24,959,979</u>
Liabilities				
Accounts Payable	\$ 44,919	\$ 0	\$ 6,338	\$ 51,257
Accrued Wages and Benefits	2,972,887	0	78,878	3,051,765
Intergovernmental Payable	621,593	0	5,908	627,501
<i>Total Liabilities</i>	<u>3,639,399</u>	<u>0</u>	<u>91,124</u>	<u>3,730,523</u>
Deferred Inflows of Resources				
Property Taxes Levied for the Next Year	12,551,687	1,723,451	0	14,275,138
Unavailable Revenue	790,677	105,171	131,476	1,027,324
<i>Total Deferred Inflows of Resources</i>	<u>13,342,364</u>	<u>1,828,622</u>	<u>131,476</u>	<u>15,302,462</u>
Fund Balances				
Restricted	0	1,147,556	698,867	1,846,423
Assigned	501,186	0	0	501,186
Unassigned	3,657,618	0	(78,233)	3,579,385
<i>Total Fund Balances</i>	<u>4,158,804</u>	<u>1,147,556</u>	<u>620,634</u>	<u>5,926,994</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 21,140,567</u>	<u>\$ 2,976,178</u>	<u>\$ 843,234</u>	<u>\$ 24,959,979</u>

See accompanying notes to the basic financial statements.

Lake Local School District
Stark County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2015

Total Governmental Fund Balances		\$ 5,926,994
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		33,848,618
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 131,476	
Property Taxes	<u>895,848</u>	1,027,324
 In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		 (53,037)
 In the statement of activities, a gain/loss on refunding is amortized over the term of the bonds, whereas in governmental funds a refunding gain/loss is reported when bonds are issued		 (1,516,251)
 The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	2,713,008	
Deferred Inflows - Pension	(6,838,527)	
Net Pension Liability	<u>(37,760,139)</u>	(41,885,658)
 Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(21,330,000)	
Bond Premium	(1,334,380)	
Compensated Absences	<u>(822,542)</u>	<u>(23,486,922)</u>
 <i>Net Position of Governmental Activities</i>		 <u>\$ (26,138,932)</u>

See accompanying notes to the basic financial statements.

Lake Local School District
Stark County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 12,597,687	\$ 1,732,029	\$ 0	\$ 14,329,716
Intergovernmental	18,196,584	282,919	1,685,403	20,164,906
Investment Income	12,796	0	120	12,916
Tuition and Fees	289,993	0	12,279	302,272
Extracurricular Activities	202,544	0	219,173	421,717
Rentals	35,968	0	157,000	192,968
Contributions and Donations	2,000	0	61,905	63,905
Miscellaneous	96,728	0	48,628	145,356
<i>Total Revenues</i>	<u>31,434,300</u>	<u>2,014,948</u>	<u>2,184,508</u>	<u>35,633,756</u>
Expenditures				
Current:				
Instruction:				
Regular	13,803,962	0	82,541	13,886,503
Special	2,969,719	0	1,018,232	3,987,951
Vocational	439,920	0	34,940	474,860
Student Intervention Services	20,460	0	0	20,460
Other	1,442,977	0	0	1,442,977
Support Services:				
Pupils	1,514,998	0	0	1,514,998
Instructional Staff	1,137,687	0	16,424	1,154,111
Board of Education	25,767	0	0	25,767
Administration	2,040,000	0	21,596	2,061,596
Fiscal	635,228	30,597	0	665,825
Business	111,267	0	0	111,267
Operation and Maintenance of Plant	2,754,047	0	73,110	2,827,157
Pupil Transportation	1,715,326	0	0	1,715,326
Central	108,207	0	22,184	130,391
Extracurricular Activities	736,361	0	237,793	974,154
Operation of Non-Instructional Services:				
Community Services	342	0	574,716	575,058
Capital Outlay	60,832	0	0	60,832
Debt Service:				
Principal Retirement	210,000	271,941	0	481,941
Interest and Fiscal Charges	104,087	1,605,350	0	1,709,437
Issuance Costs	0	227,893	0	227,893
<i>Total Expenditures</i>	<u>29,831,187</u>	<u>2,135,781</u>	<u>2,081,536</u>	<u>34,048,504</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,603,113</u>	<u>(120,833)</u>	<u>102,972</u>	<u>1,585,252</u>
Other Financing Sources (Uses)				
Proceeds of Refunding Bonds	0	17,650,000	0	17,650,000
Premium on Debt Issuance	0	1,334,380	0	1,334,380
Payment to Escrow Agent	0	(18,599,917)	0	(18,599,917)
Transfers Out	(100,000)	0	0	(100,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(100,000)</u>	<u>384,463</u>	<u>0</u>	<u>284,463</u>
<i>Net Change in Fund Balance</i>	1,503,113	263,630	102,972	1,869,715
<i>Fund Balances Beginning of Year</i>	<u>2,655,691</u>	<u>883,926</u>	<u>517,662</u>	<u>4,057,279</u>
<i>Fund Balances End of Year</i>	<u>\$ 4,158,804</u>	<u>\$ 1,147,556</u>	<u>\$ 620,634</u>	<u>\$ 5,926,994</u>

See accompanying notes to the basic financial statements.

Lake Local School District
Stark County, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015*

Net Change in Fund Balances - Total Governmental Funds	\$	1,869,715
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital additions in the current period.		
Capital Asset Additions	\$ 193,975	
Current Year Depreciation	<u>(1,422,853)</u>	(1,228,878)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(11,816)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	63,892	
Intergovernmental	<u>(107,877)</u>	(43,985)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bonds	210,000	
Capital Appreciation Bonds	<u>271,941</u>	481,941
Issuance of refunding bonds results in expenditures and other financing sources and uses in the governmental funds, but these transactions are reflected in the statement of net position as long-term assets and liabilities.		
Outstanding Bonds Refunded	18,295,000	
Proceeds of Refunding Bonds	<u>(17,650,000)</u>	645,000
Amortization of bond premiums on bonds are not reported in the fund but are allocated as an expense over the life of the debt in the statement of activities.		
		555,795
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		2,356,724
Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities		
		(1,728,227)
In the statement of activities, interest is accrued on outstanding bonds, and gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	32,107	
Amortization of Refunding Loss	<u>(1,516,251)</u>	(1,484,144)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		80,068
Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds in the statement of activities		
		<u>794,969</u>
<i>Change in Net Position of Governmental Activities</i>	<u>\$</u>	<u>2,287,162</u>

See accompanying notes to the basic financial statements.

Lake Local School District
Stark County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 12,656,841	\$ 12,653,866	\$ 12,653,866	\$ 0
Intergovernmental	18,192,972	18,150,354	18,188,696	38,342
Investment Income	12,799	12,791	12,796	5
Tuition and Fees	290,061	280,269	289,993	9,724
Extracurricular Activities	80,871	80,478	80,852	374
Rentals	34,762	23,102	34,754	11,652
Miscellaneous	19,802	20,715	19,797	(918)
<i>Total Revenues</i>	<u>31,288,108</u>	<u>31,221,575</u>	<u>31,280,754</u>	<u>59,179</u>
Expenditures				
Current:				
Instruction:				
Regular	13,534,586	13,822,028	13,736,984	85,044
Special	3,055,659	3,120,554	3,101,354	19,200
Vocational	434,622	443,852	441,121	2,731
Student Intervention Services	23,735	24,239	24,090	149
Other	1,421,717	1,451,910	1,442,977	8,933
Support Services:				
Pupils	1,493,380	1,525,096	1,515,712	9,384
Instructional Staff	1,192,140	1,217,458	1,209,967	7,491
Board of Education	25,396	25,936	25,776	160
Administration	2,034,352	2,077,557	2,064,774	12,783
Fiscal	639,218	652,794	648,777	4,017
Business	108,760	111,069	110,386	683
Operation and Maintenance of Plant	2,847,486	2,907,960	2,890,068	17,892
Pupil Transportation	1,828,275	1,867,103	1,855,615	11,488
Central	41,880	42,769	42,506	263
Extracurricular Activities	724,405	739,790	735,238	4,552
Operation of Non-Instructional Services:				
Food Service Operations	1,242	1,269	1,261	8
Community Services	105	108	107	1
Other	3,436	3,509	3,487	22
Capital Outlay	59,929	61,202	60,825	377
Debt Service:				
Principal Retirement	206,906	211,300	210,000	1,300
Interest and Fiscal Charges	102,553	104,731	104,087	644
<i>Total Expenditures</i>	<u>29,779,782</u>	<u>30,412,234</u>	<u>30,225,112</u>	<u>187,122</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,508,326</u>	<u>809,341</u>	<u>1,055,642</u>	<u>246,301</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	2,799	2,799	0
Refund of Prior Year Expenditures	0	139,113	139,113	0
Transfers Out	0	(100,000)	(100,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>41,912</u>	<u>41,912</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	1,508,326	851,253	1,097,554	246,301
<i>Fund Balance Beginning of Year</i>	5,585,078	5,585,078	5,585,078	0
Prior Year Encumbrances Appropriated	298,341	298,341	298,341	0
<i>Fund Balance End of Year</i>	<u>\$ 7,391,745</u>	<u>\$ 6,734,672</u>	<u>\$ 6,980,973</u>	<u>\$ 246,301</u>

See accompanying notes to the basic financial statements.

Lake Local School District
Stark County, Ohio
Statement of Fund Net Position
Proprietary Fund
June 30, 2015

	NonMajor Enterprise Funds
Assets	
<i>Current Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$ 34,300
Accounts Receivable	13
Intergovernmental Receivable	25,882
<i>Total Current Assets</i>	60,195
<i>Non-Current Assets:</i>	
Depreciable Capital Assets (Net)	69,242
<i>Total Non-Current Assets</i>	69,242
<i>Total Assets</i>	129,437
Deferred Outflow of Resources	
Pension:	
SERS	51,897
	51,897
Liabilities	
<i>Current Liabilities</i>	
Accounts Payable	1,326
Accrued Wages and Benefits	52,851
Intergovernmental Payable	23,081
Compensated Absences Payable	12,297
<i>Total Current Liabilities</i>	89,555
<i>Long-Term Liabilities</i>	
Compensated Absences Payable - net of Current Portion	19,290
Net Pension Liability	566,261
<i>Total Long-Term Liabilities</i>	585,551
<i>Total Liabilities</i>	675,106
Deferred Inflows of Resources	
Pension:	
SERS	91,906
	91,906
Net Position	
Net Investment in Capital Assets	69,242
Unrestricted	(654,920)
<i>Total Net Position</i>	\$ (585,678)

See accompanying notes to the basic financial statements.

Lake Local School District
Stark County, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2015

	NonMajor Enterprise Funds
Operating Revenues	
Tuition	\$ 6,278
Sales	627,031
Other	1,147
<i>Total Operating Revenues</i>	634,456
Operating Expenses	
Salaries and Wages	393,605
Fringe Benefits	198,881
Purchased Services	48,266
Materials and Supplies	508,113
Depreciation	11,445
Other	551
<i>Total Operating Expenses</i>	1,160,861
<i>Operating Income (Loss)</i>	(526,405)
Non-Operating Revenues (Expenses)	
Grants	254,134
Interest	45
Federal Donated Commodities	51,616
Loss on Disposal of Capital Assets	(1,375)
<i>Total Non-Operating Revenues (Expenses)</i>	304,420
<i>Income (Loss) Before Transfers</i>	(221,985)
Transfers In	100,000
<i>Change in Net Position</i>	(121,985)
<i>Net Position Beginning of Year - Restated, See Note 2-S</i>	(463,693)
<i>Net Position End of Year</i>	\$ (585,678)

See accompanying notes to the basic financial statements.

Lake Local School District
Stark County, Ohio
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2015

	NonMajor Enterprise Funds
Cash Flows From Operating Activities	
Cash Received from Customers	\$ 627,031
Cash Received from Tuition Payments	6,265
Other Cash Receipts	1,147
Cash Paid for Goods and Services	(865,436)
Cash Paid for Employee Benefits	(260,599)
Other Cash Payments	(551)
<i>Net Cash Provided By (Used For) Operating Activities</i>	(492,143)
Cash Flows From Non-Capital Financing Activities	
Transfers from Other Funds	100,000
Grants Received	259,408
<i>Net Cash Provided By (Used For) Non-Capital Financing Activities</i>	359,408
Cash Flows From Investing Activities	
Interest on Investments	45
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(132,690)
<i>Cash and Cash Equivalents, Beginning of Year</i>	166,990
<i>Cash and Cash Equivalents, End of Year</i>	\$ 34,300
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities	
Operating Income (Loss)	\$ (526,405)
Adjustments:	
Depreciation	11,445
Federal Donated Commodities	51,616
(Increase) Decrease Assets/Deferred Outflows of Resources:	
Accounts Receivable	(13)
Intergovernmental Receivable	2,157
Deferred Outflows - SERS	(6,379)
Increase (Decrease) in Liabilities/Deferred Inflows of Resources:	
Accounts Payable	(743)
Accrued Wages and Benefits	(15,067)
Intergovernmental Payable	(2,354)
Compensated Absences Payable	798
Net Pension Liability	(99,104)
Deferred Inflows - SERS	91,906
<i>Total Adjustments</i>	34,262
<i>Net Cash Provided By (Used For) Operating Activities</i>	\$ (492,143)

See accompanying notes to the basic financial statements.

Lake Local School District
Stark County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 453	\$ 106,657
Liabilities		
Accounts Payable	0	\$ 2,045
Undistributed Monies	0	5,662
Due to Students	0	98,950
<i>Total Liabilities</i>	0	\$ 106,657
Net Position		
Held in Trust for Scholarships	\$ 453	

See accompanying notes to the basic financial statements.

Lake Local School District
Stark County, Ohio
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust
Additions	\$ 0
Deductions	0
<i>Change in Net Position</i>	0
<i>Net Position Beginning of Year</i>	453
<i>Net Position End of Year</i>	\$ 453

See accompanying notes to the basic financial statements.

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 1 - Description of the School District

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

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

Reporting Entity

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

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

The School District participates in a jointly governed organization and two public entity risk pools. These organizations include the Stark/Portage Area Computer Consortium (SPARCC), the Stark County Schools Council of Government and the Stark County Schools Council of Governments Health Benefit Plan. These organizations are presented in Notes 10 and 16 to the basic financial statements.

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

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

Note 2 - Summary of Significant Accounting Policies

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

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

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

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

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Debt Service Fund The debt service fund is used to account for the accumulation of property tax revenues for, and the payment of, principal and interest obligations relative to the School District's general obligation bonds.

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

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

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

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

C. Measurement Focus

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

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

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

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

D. Basis of Accounting

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

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

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

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

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

Lake Local School District
Stark County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, deferred charges on refunding, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12).

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

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

E. Cash and Cash Equivalents

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

During fiscal year 2015, investments were limited to STAR Ohio (the State Treasurer's Investment Pool).

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

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

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. Certificates of deposit and repurchase agreements are reported at cost.

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$12,796 which includes \$2,646 assigned from other School District funds.

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

F. Capital Assets

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

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

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

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

G. Compensated Absences

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

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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

H. Pensions

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

I. Accrued Liabilities and Long-term Obligations

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

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

J. Bond Premiums

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

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

K. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2015, there was no net position restricted by enabling legislation.

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

L. Fund Balance

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

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

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

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

Lake Local School District
Stark County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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

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

M. Operating Revenues and Expenses

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

N. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. The proprietary funds received no capital contributions during the current fiscal year. In the government-wide financial statements, capital contributions are recorded as capital grants and contributions. In fiscal year 2015, the governmental activities received no capital contributions from outside sources.

O. Interfund Activity

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

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

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

Lake Local School District
Stark County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2015.

Q. Estimates

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

R. Budgetary Data

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

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2015.

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

S. Implementation of New Accounting Principles

For the fiscal year ended June 30, 2015, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*.

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 68 resulted in the inclusion of net pension liability and pension expense components on the full-accrual financial statements. See below for the effect on net position as previously reported.

GASB Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the School District.

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 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 pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See below for the effect on net position as previously reported.

	<u>Governmental Activities</u>	<u>Enterprise Fund / Business-Type Activities</u>
Previously Reported Net Position	\$ 14,088,061	\$ 156,154
Deferred Outflows of Resources:		
SERS	521,371	45,518
STRS	1,839,162	0
Net Pension Liability:		
SERS	(7,621,273)	(665,365)
STRS	<u>(37,253,415)</u>	<u>0</u>
Restated Net Position, July 1, 2014	<u>\$ (28,426,094)</u>	<u>\$ (463,693)</u>

Note 3 - Fund Deficits

Fund balances at June 30, 2015 included the following individual fund deficits:

	<u>Deficit Fund Balance</u>
Nonmajor Governmental Funds:	
Race to the Top	\$ 66
IDEA B	10,261
Title I Fund	54,006
Title II-A Fund	13,900
Nonmajor Enterprise Fund:	
Food Service	622,166

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

Note 4 – Fund Balance

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

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

	General	Debt Service	Other Governmental Funds	Total
Restricted for:				
Debt Service	\$ 0	\$ 1,147,556	\$ 0	\$ 1,147,556
Capital Outlay	0	0	494,280	494,280
Other Purposes	0	0	204,587	204,587
Total Restricted	0	1,147,556	698,867	1,846,423
Assigned for:				
Public School Support	80,018	0	0	80,018
Encumbrances:				
Instruction	167,088	0	0	167,088
Support Services	253,980	0	0	253,980
Operation of Non-Instructional	100	0	0	100
Total Assigned	501,186	0	0	501,186
Unassigned	3,657,618	0	(78,233)	3,579,385
Total Fund Balance	\$ 4,158,804	\$ 1,147,556	\$ 620,634	\$ 5,926,994

Note 5 - Budgetary Basis of Accounting

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

1. Revenues and other sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2. Expenditures and other uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as an assignment of fund balance (GAAP).
4. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets (budget).

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

GAAP Basis	\$ 1,503,113
Net Adjustment for Revenue Accruals	112,158
Net Adjustment for Expenditure Accruals	(43,027)
Funds Budgeted Elsewhere	(5,313)
Adjustment for Encumbrances	<u>(469,377)</u>
 Budget Basis	 <u>\$ 1,097,554</u>

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

Note 6 - Deposits and Investments

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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

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

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

Lake Local School District
Stark County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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

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

Deposits: At fiscal year-end, the carrying amount of the School District's deposits was \$8,012,502. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2015, \$1,610,401 of the School District's bank balance of \$8,082,877 was exposed to custodial risk as discussed above, while \$6,472,476 was covered by the Federal Deposit Insurance Corporation (FDIC), which includes \$6,222,476 held in a STAR Plus account.

Investments: Investments are reported at fair value. As of June 30, 2015, the School District had the following investment:

	Fair Value	Investment Maturities (in months) 0 - 6
STAR Ohio	\$ 1,485,736	\$ 1,485,736

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

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in the physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2015 is 53 days.

Credit Risk: The School District's investment at June 30, 2015 in STAR Ohio was rated AAAM by Standard & Poor's.

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Concentration of Credit Risk: The School District diversifies its investments by security, type, and institution. With the exception of direct obligations of the U.S. Treasury and STAR Ohio, no more than 25% of the School District's total investment portfolio will be invested in a single security type or with a single financial institution. The School District's only investment at June 30, 2015 was in STAR Ohio.

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in 2015 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Stark and Portage County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 in the general and debt service funds were \$235,553 and \$32,963, respectively. The amount available for advance at June 30, 2014, in the general and debt service funds were \$291,732 and \$40,154, respectively. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 388,158,390	98.46%	\$ 395,490,730	98.40%
Public Utility Personal Property	6,078,540	1.54%	6,442,850	1.60%
Total	\$ 394,236,930	100.00%	\$ 401,933,580	100.00%
Full Tax Rate per \$1,000 of assessed valuation	\$ 71.70		\$ 71.70	

Note 8 - Receivables

Receivables at June 30, 2015, consisted of taxes, accounts (student fees) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. The intergovernmental receivables consist of the following:

	Governmental Funds			Food Service Enterprise Fund
	General Fund	Other Governmental Funds	Total	
Operating Grants	\$ 0	\$ 121,433	\$ 121,433	\$ 25,882
SERS Refund Receivable	2,649	0	2,649	0
Other	7,888	10,694	18,582	0
Total	\$ 10,537	\$ 132,127	\$ 142,664	\$ 25,882

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Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015 as follows:

	Balance 6/30/2014	Additions	Reductions	Balance 6/30/2015
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 3,022,257	\$ 15,000	\$ 0	\$ 3,037,257
<i>Capital Assets, being depreciated:</i>				
Land Improvements	851,346	0	0	851,346
Buildings and Improvements	43,758,149	0	0	43,758,149
Furniture and Equipment	1,684,601	178,975	(86,794)	1,776,782
Vehicles	2,793,168	0	0	2,793,168
Textbooks	770,278	0	0	770,278
Total Capital Assets, being depreciated	49,857,542	178,975	(86,794)	49,949,723
Less Accumulated Depreciation:				
Land Improvements	(393,639)	(110,745)	0	(504,384)
Buildings and Improvements	(13,610,028)	(1,029,498)	0	(14,639,526)
Furniture and Equipment	(1,131,900)	(98,681)	74,978	(1,155,603)
Vehicles	(1,961,670)	(183,929)	0	(2,145,599)
Textbooks	(693,250)	0	0	(693,250)
Total Accumulated Depreciation	(17,790,487)	(1,422,853)	74,978	(19,138,362)
Total Capital Assets being depreciated, net	32,067,055	(1,243,878)	(11,816)	30,811,361
Governmental Activities Capital Assets, Net	\$ 35,089,312	\$ (1,228,878)	\$ (11,816)	\$ 33,848,618
Business-Type Activities				
<i>Capital Assets being depreciated</i>				
Furniture and Equipment	\$ 205,139	\$ 0	\$ (13,752)	\$ 191,387
Less Accumulated Depreciation	(123,077)	(11,445)	12,377	(122,145)
Business-Type Activities Capital Assets, Net	\$ 82,062	\$ (11,445)	\$ (1,375)	\$ 69,242

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

<i>Governmental Activities:</i>	
Instruction:	
Regular	\$ 928,834
Special	3,596
Support Services:	
Pupil	2,493
Administration	1,486
Fiscal	442
Operation and Maintenance of Plant	23,831
Pupil Transportation	173,887
Central	739
Operation of Non-Instructional Services	3,301
Extracurricular Activities	<u>284,244</u>
Total Governmental Activities	<u>\$ 1,422,853</u>
 <i>Business-Type Activities:</i>	
Food Service	<u>\$ 11,445</u>

Note 10 - Risk Management

A. Property and Liability

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

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

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

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

B. Workers' Compensation

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

Lake Local School District
Stark County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

C. Health Insurance

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

Note 11 - Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 340 days. Upon retirement, employees receive payment for one-fourth of the total accumulated sick leave, up to a maximum accumulation of 59 days for those employees with ten or more years of service, and 74 days for those employees with twenty or more years of service to the Board of Education. Additionally, at retirement, \$10 is paid for each day of sick leave accumulated from 200 to 300 days, and \$20 for each day from 301 to 340 days.

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

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 12 - Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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 \$586,318 for fiscal year 2015. Of this amount \$96,105 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

Lake Local School District
Stark County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 years 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 years 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.

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.

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The School District's contractually required contribution to STRS was \$1,817,484 for fiscal year 2015. Of this amount \$332,552 is reported as an intergovernmental payable.

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

The net pension liability was measured as of 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 contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Proportionate Share of the Net			
Pension Liability	\$ 31,274,026	\$ 7,052,374	\$ 38,326,400
Proportion of the Net Pension			
Liability	0.12857556%	0.13934900%	
Pension Expense	\$ 1,344,506	\$ 417,222	\$ 1,761,728

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 301,080	\$ 60,023	\$ 361,103
School District contributions subsequent to the measurement date	1,817,484	586,318	2,403,802
Total Deferred Outflows of Resources	<u>\$ 2,118,564</u>	<u>\$ 646,341</u>	<u>\$ 2,764,905</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 5,785,813</u>	<u>\$ 1,144,620</u>	<u>\$ 6,930,433</u>

\$2,403,802 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	\$ (1,371,183)	\$ (271,149)	\$ (1,642,332)
2017	(1,371,183)	(271,149)	(1,642,332)
2018	(1,371,183)	(271,149)	(1,642,332)
2019	(1,371,184)	(271,150)	(1,642,334)
	<u>\$ (5,484,733)</u>	<u>\$ (1,084,597)</u>	<u>\$ (6,569,330)</u>

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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:

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

<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	15.00	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.

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.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$ 10,061,641	\$ 7,052,374	\$ 4,521,319

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.

Lake Local School District
Stark County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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

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

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

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.

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 the net pension liability	\$ 44,772,178	\$ 31,274,026	\$ 19,859,131

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 13 - Postemployment Benefits

A. School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, prorated 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.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, 2014, and 2013 were \$106,546, \$75,294 and \$72,366, respectively. For fiscal year 2015, 87 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

B. State Teachers Retirement System

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.

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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, \$125,881, and \$142,286, respectively. The full amount has been contributed for fiscal years 2014 and 2013.

Note 14 - Long - Term Obligations

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

	Restated Outstanding 6/30/2014	Additions	Reductions	Outstanding 6/30/2015	Amounts Due in One Year
Governmental Activities:					
2005 Refunding of Bonds					
Serial Bonds \$21,000,000 at 3.00% - 5.00%	\$ 18,295,000	\$ 0	\$ 18,295,000	\$ 0	\$ 0
Capital Appreciation Bonds at 4.17% - 4.45%	271,941	0	271,941	0	0
Accretion of Interest	794,969	83,090	878,059	0	0
Unamortized Bond Premium	1,890,175	0	1,890,175	0	0
2013 School Improvement Bonds	3,890,000	0	210,000	3,680,000	215,000
2015 Refunding of Bonds					
Serial Bonds \$17,650,000 at 1.00% - 4.00%	0	17,650,000	0	17,650,000	1,420,000
Unamortized Bond Premium	0	1,334,380	0	1,334,380	0
Total General Obligation Bonds	25,142,085	19,067,470	21,545,175	22,664,380	1,635,000
Net Pension Liability:					
STRS	37,253,415	0	5,979,389	31,274,026	0
SERS	7,621,273	0	1,135,160	6,486,113	0
Total Net Pension Liability	44,874,688	0	7,114,549	37,760,139	0
Compensated Absences	902,610	441,397	521,465	822,542	410,204
Total Governmental Activities Long-Term Liabilities	\$ 70,919,383	\$ 19,508,867	\$ 29,181,189	\$ 61,247,061	\$ 2,045,204
Business-Type Activities					
Net Pension Liability - SERS	665,365	0	99,104	566,261	0
Compensated Absences	30,789	8,364	7,566	31,587	12,297
Total Business-Type Activities Long-Term Liabilities	\$ 696,154	\$ 8,364	\$ 106,670	\$ 597,848	\$ 12,297

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2005 School Improvement Refunding Bonds

On April 20, 2005, the School District issued \$21,955,000 in general obligation bonds. The proceeds of the bonds were used to partially refund \$21,955,000 of the School District's outstanding Capital Improvement Bond Series 2000. The bonds were issued for a 20 year period with final maturity at December 1, 2026. At the date of the refunding, \$23,914,677 (including premium and after underwriting fees) was deposited in an irrevocable trust to provide for all future payments on the refunded bonds.

These refunding bonds were issued with a premium of \$2,267,276, which was reported as an increase to bonds payable. The amounts are being amortized to interest expenses over the life of the bonds using the bonds outstanding method. Amortization of \$69,007 was recorded for June 30, 2015. The issuance resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of \$1,489,124. The issuance resulted in an economic gain of \$991,927. During fiscal year 2015, the balance of these bonds was refunded. Refer to *2015 School Improvement Refunding Bonds* below for further details.

The bond issue consisted of serial and capital appreciation bonds. These bonds were not subject to early redemption.

The outstanding capital appreciation bonds matured on December 1, 2013 and December 1, 2014. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds was \$2,300,000, of which \$1,150,000 matured in fiscal year 2014. For fiscal year 2015, \$83,090 was accreted, and \$1,150,000 matured.

2015 School Improvement Refunding Bonds

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

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

2013 School Facilities Improvement Bonds

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

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

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

Fiscal Year Ending June 30,	Serial Bonds	
	Principal	Interest
2016	\$ 1,635,000	\$ 626,393
2017	1,515,000	606,794
2018	1,540,000	580,969
2019	1,570,000	541,438
2020	1,615,000	501,119
2021-2025	8,840,000	1,656,987
2026-2030	4,615,000	204,863
Total	\$21,330,000	\$ 4,718,563

Note 15 - Interfund Transfers

Transfers made during fiscal year 2015 were as follows:

Fund	Transfer In	Transfer Out
General Fund	\$ 0	\$ 100,000
Nonmajor Enterprise Funds	100,000	0
Total	\$ 100,000	\$ 100,000

These transfers were made to move unrestricted balances to support programs accounted for in other funds.

Note 16- Jointly Governed Organizations

The Stark/Portage Area Computer Consortium (SPARCC) is a jointly governed organization comprised of 31 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports SPARCC based upon a per pupil charge dependent upon the software package utilized. The SPARCC assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. SPARCC is governed by a board of directors chosen from the general membership of the SPARCC assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county in which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Stark County Education Services Center, which serves as fiscal agent, located at 2100 38th Street, NW, Canton, Ohio 44709. The School District paid \$40,122 to SPARCC for basic services in fiscal year 2015.

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 17 – Contingencies and Significant Commitments

A. Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.

B. Litigation

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

C. Encumbrance Commitments

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

Fund	Encumbrances
General Fund	\$ 421,168
Nonmajor Governmental Funds	65,658
	\$ 486,826

D. School District 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 districts, 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
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 18 - Set-Asides

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

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

	Capital Improvement
Set Aside Restricted Balance June 30, 2014	\$ 0
Current Year Set-Aside Requirement	582,831
Current Year Qualifying Expenditures	<u>(825,713)</u>
Total	<u>\$ (242,882)</u>
Balance Carried Forward to Fiscal Year 2016	<u>\$ 0</u>
Set Aside Balance June 30, 2015	<u>\$ 0</u>

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

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

	<u>2014</u>	<u>2013</u>
<i>State Teachers Retirement System (STRS)</i>		
School District's proportion of the net pension liability (asset)	0.12857556%	0.12857556%
School District's proportionate share of the net pension liability (asset)	\$ 31,274,026	\$ 37,253,415
School District's covered-employee payroll	\$ 14,147,400	\$ 13,614,523
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	221.1%	273.6%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%
<i>School Employees Retirement System (SERS)</i>		
School District's proportion of the net pension liability (asset)	0.13934900%	0.13934900%
School District's proportionate share of the net pension liability (asset)	\$ 7,052,374	\$ 8,286,638
School District's covered-employee payroll	\$ 4,090,108	\$ 4,681,734
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	172.4%	177.0%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

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

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>State Teachers Retirement System (STRS)</i>				
Contractually Required Contribution	\$ 1,817,484	\$ 1,839,162	\$ 1,769,888	\$ 1,814,426
Contributions in Relation to the Contractually Required Contribution	<u>(1,817,484)</u>	<u>(1,839,162)</u>	<u>(1,769,888)</u>	<u>(1,814,426)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's covered-employee payroll	\$ 12,982,029	\$ 14,147,400	\$ 13,614,523	\$ 13,957,123
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%
<i>School Employees Retirement System (SERS)</i>				
Contractually required contribution	\$ 586,318	\$ 566,889	\$ 647,952	\$ 713,664
Contributions in relation to the contractually required contribution	<u>(586,318)</u>	<u>(566,889)</u>	<u>(647,952)</u>	<u>(713,664)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's covered-employee payroll	\$ 4,448,543	\$ 4,090,108	\$ 4,681,734	\$ 5,306,052
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

n/a - Information prior to 2008 is not available.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 1,938,829	\$ 2,026,985	\$ 1,863,847	\$ 1,790,622	\$ 1,719,874	\$ 1,616,322
<u>(1,938,829)</u>	<u>(2,026,985)</u>	<u>(1,863,847)</u>	<u>(1,790,622)</u>	<u>(1,719,874)</u>	<u>(1,616,322)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 14,914,069	\$ 15,592,192	\$ 14,337,285	\$ 13,774,015	\$ 13,229,800	\$ 12,433,246
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$ 591,454	\$ 737,822	\$ 428,006	\$ 434,324	\$ 514,118	\$ 521,821
<u>(591,454)</u>	<u>(737,822)</u>	<u>(428,006)</u>	<u>(434,324)</u>	<u>(514,118)</u>	<u>(521,821)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 4,705,282	\$ 5,449,202	\$ 4,349,654	\$ 4,422,851	\$ 4,813,839	\$ 4,932,146
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

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LAKE LOCAL SCHOOL DISTRICT
STARK COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015

Federal Granter/ Pass Through Grantor/ Program Title	Pass Through Entity Number Number	Federal CFDA Number	Revenue	Expenses
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	N/A	10.555	\$ 51,616	\$ 51,616
Cash Assistance:				
National School Lunch Program	049866-3L60-2015	10.555	254,021	254,021
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>305,637</u>	<u>305,637</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education:</i>				
Title I, Part A Cluster:				
Title I, Grants to Local Educational Agencies	049866-3M00-2015	84.010	293,313	293,312
Title I, Grants to Local Educational Agencies	049866-3M00-2014	84.010	60,019	60,019
Total Title I, Part A Cluster			353,332	353,331
Special Education Cluster:				
Special Education-Grants to States, IDEA-B	049866-3M20-2015	84.027	678,352	679,003
Special Education-Grants to States, IDEA-B	049866-3M20-2014	84.027	56,029	56,213
Total Special Education Cluster			734,381	735,216
Improving Teacher Quality State Grants, Title II-A				
Improving Teacher Quality State Grants, Title II-A	049866-3Y60-2015	84.367	59,236	59,236
Improving Teacher Quality State Grants, Title II-A	049866-3Y60-2014	84.367	13,204	13,204
Total Improving Teacher Quality State Grants			72,440	72,440
Race to the Top	049866-3FD0-2015	84.395	2,054	2,054
<i>Total Passed Through Ohio Department of Education</i>			1,162,207	1,163,041
<i>Passed Through Plain Local School District:</i>				
Career and Technical Education-Basic Grants to States	N/A	84.048	34,250	34,875
Total U.S. Department of Education			<u>1,196,457</u>	<u>1,197,916</u>
Total Federal Financial Assistance			<u>\$ 1,502,094</u>	<u>\$ 1,503,553</u>

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

**LAKE LOCAL SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Lake Local School District's (the District's) Federal award programs' receipts and expenditures. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States, and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake Local School District, Stark County, Ohio (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 9, 2016, wherein we noted the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68 "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large loop at the end of the last name.

Dave Yost
Auditor of State
Columbus, Ohio

February 9, 2016



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited 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 programs 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 programs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each 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 programs 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 a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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



Dave Yost
Auditor of State
Columbus, Ohio

February 9, 2016

**LAKE LOCAL SCHOOL DISTRICT
STARK COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster, CFDA #10.555 Special Education Cluster, CFDA #84.027
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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LAKE LOCAL SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 17, 2016