



Dave Yost • Auditor of State

**LAKE LOCAL SCHOOL DISTRICT
STARK COUNTY**

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**LAKE LOCAL SCHOOL DISTRICT
STARK COUNTY**

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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, 2014, 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, 2014, and the respective changes in its financial position and where applicable, cash flows, thereof and the budgetary comparisons for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 Awards Receipts and Expenditures Schedule (the 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 August 29, 2014, 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.



Dave Yost
Auditor of State
Columbus, Ohio

August 29, 2014

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Lake Local School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(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, 2014. 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 2014 are as follows:

- Net position increased \$1 million, or 8 percent in governmental activities from fiscal year 2013. Net position in the business-type activities decreased \$198,431.
- Total capital assets decreased \$177,343 during fiscal year 2014. The School District completed the HB 264 energy conservation project during fiscal year 2014.
- During the year, outstanding debt obligations decreased from \$26.1 million to \$25.1 million. The School District made maturity payments of \$1.2 million during fiscal year 2014.

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 funds 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 2014?" 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, 2014
(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 15.

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, 2014
(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 18.

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 23.

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 26 and 27. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

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 2014 compared to 2013:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	Restated 2013	2014	2013	2014	Restated 2013
Assets						
Current and Other Assets	\$ 22,915,792	\$ 23,123,185	\$ 200,303	\$ 379,476	\$ 23,116,095	\$ 23,502,661
Capital Assets	35,089,312	35,255,210	82,062	93,507	35,171,374	35,348,717
<i>Total Assets</i>	<u>58,005,104</u>	<u>58,378,395</u>	<u>282,365</u>	<u>472,983</u>	<u>58,287,469</u>	<u>58,851,378</u>
Liabilities						
Other Liabilities	3,831,128	4,784,802	95,422	89,565	3,926,550	4,874,367
Long-Term Liabilities	26,044,695	26,840,827	30,789	28,833	26,075,484	26,869,660
<i>Total Liabilities</i>	<u>29,875,823</u>	<u>31,625,629</u>	<u>126,211</u>	<u>118,398</u>	<u>30,002,034</u>	<u>31,744,027</u>
Deferred Inflows of Resources	14,041,220	13,686,144	0	0	14,041,220	13,686,144
Net Position						
Net Investment in Capital Assets	10,742,196	11,465,796	82,062	93,507	10,824,258	11,559,303
Restricted	1,670,420	1,841,673	0	0	1,670,420	1,841,673
Unrestricted	1,675,445	(240,847)	74,092	261,078	1,749,537	20,231
<i>Total Net Position</i>	<u>\$ 14,088,061</u>	<u>\$ 13,066,622</u>	<u>\$ 156,154</u>	<u>\$ 354,585</u>	<u>\$ 14,244,215</u>	<u>\$ 13,421,207</u>

Lake Local School District
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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

At year end, capital assets of the School District represented 60 percent of total assets. Capital assets include, land, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. Investment in capital assets was \$10.8 million at June 30, 2014. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$1.7 million or 12 percent, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position is \$1.7 million.

Current and other assets in the governmental activities decreased \$207,393 from fiscal year 2013 mainly due to a \$218,407 decrease in cash. Other liabilities in the governmental activities decreased \$953,674 over fiscal year 2013. This is due to a \$566,315 and \$247,426 decrease in contracts and retainage payable, respectively, due to the completion of the HB 264 improvements project during fiscal year 2014.

The decrease in lunch sales during fiscal year 2014 contributed to the decrease in business-type activities current assets of \$179,173 from fiscal year 2013 and depreciation expense decreased capital assets by \$11,445. An increase in compensated absences payable accounts for the increase in long term liabilities. In total, net position decreased \$198,431 from fiscal year 2013.

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Lake Local School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Table 2 shows the changes in net position for fiscal year 2014 compared to 2013.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 838,655	\$ 722,519	\$ 653,333	\$ 744,354	\$ 1,491,988	\$ 1,466,873
Operating Grants	1,987,420	2,178,370	332,170	342,598	2,319,590	2,520,968
Capital Grants	121,527	30,114	0	0	121,527	30,114
<i>Total Program Revenues</i>	<u>2,947,602</u>	<u>2,931,003</u>	<u>985,503</u>	<u>1,086,952</u>	<u>3,933,105</u>	<u>4,017,955</u>
<i>General Revenues:</i>						
Property Taxes	14,168,728	13,952,599	0	0	14,168,728	13,952,599
Grants and Entitlements Not Restricted	16,731,572	15,307,856	0	0	16,731,572	15,307,856
Other	51,792	112,253	1,611	5,287	53,403	117,540
<i>Total General Revenues</i>	<u>30,952,092</u>	<u>29,372,708</u>	<u>1,611</u>	<u>5,287</u>	<u>30,953,703</u>	<u>29,377,995</u>
<i>Total Revenues</i>	<u>33,899,694</u>	<u>32,303,711</u>	<u>987,114</u>	<u>1,092,239</u>	<u>34,886,808</u>	<u>33,395,950</u>
Program Expenses						
<i>Instruction:</i>						
Regular	14,191,901	14,026,848	0	0	14,191,901	14,026,848
Special	3,879,671	3,162,904	0	0	3,879,671	3,162,904
Vocational	466,302	392,304	0	0	466,302	392,304
Student Intervention Services	25,207	183,729	0	0	25,207	183,729
Other	1,343,274	1,044,988	0	0	1,343,274	1,044,988
<i>Support services:</i>						
Pupils	1,406,163	899,485			1,406,163	899,485
Instructional Staff	1,061,255	1,508,822	0	0	1,061,255	1,508,822
Board of Education	30,323	26,227	0	0	30,323	26,227
Administration	1,931,183	2,843,926	0	0	1,931,183	2,843,926
Fiscal	660,429	786,392	0	0	660,429	786,392
Business	96,006	93,110	0	0	96,006	93,110
Operation and Maintenance of Plant	2,789,961	2,706,908	0	0	2,789,961	2,706,908
Pupil Transportation	1,872,974	2,012,911	0	0	1,872,974	2,012,911
Central	164,099	179,541	0	0	164,099	179,541
Operation of Non-Instructional Services	498,357	591,728	0	0	498,357	591,728
Extracurricular Activities	1,215,061	1,162,154			1,215,061	1,162,154
Interest and Fiscal Charges	1,247,608	1,269,722	0	0	1,247,608	1,269,722
Enterprise Funds	0	0	1,184,026	1,175,830	1,184,026	1,175,830
<i>Total Expenses</i>	<u>32,879,774</u>	<u>32,891,699</u>	<u>1,184,026</u>	<u>1,175,830</u>	<u>34,063,800</u>	<u>34,067,529</u>
Transfers	1,519	0	(1,519)	0	0	0
<i>Increase (Decrease) in Net Position</i>	<u>\$ 1,021,439</u>	<u>\$ (587,988)</u>	<u>\$ (198,431)</u>	<u>\$ (83,591)</u>	<u>\$ 823,008</u>	<u>\$ (671,579)</u>

Net position in the governmental activities increased \$1 million from fiscal year 2013. Revenues increased \$1.6 million, primarily in grants and entitlements not restricted due to increased state foundation revenue. Program expenses decreased \$11,925 from fiscal year 2013. Fluctuations between Special Instruction and Support Services expenses can be attributed to the re-coding of expenses in accordance with the revised expenditure standards approved by the State Board of Education on December 11, 2012. The expenditure standards revisions addressed operating expenditures and classroom instruction versus non-classroom expenditures.

Lake Local School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Net position in the business-type activities decreased \$198,431 from fiscal year 2013. This can primarily be attributed to a decrease in lunch sales during fiscal year 2014.

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	
	2014	2013	2014	2013
Instruction:				
Regular	\$ 14,191,901	\$ 14,026,848	\$ 13,854,389	\$ 13,699,071
Special	3,879,671	3,162,904	2,872,184	2,275,602
Vocational	466,302	392,304	133,346	155,305
Student Intervention Services	25,207	183,729	25,207	183,729
Other	1,343,274	1,044,988	1,343,274	1,044,988
Support services:				
Pupils	1,406,163	899,485	1,406,163	890,972
Instructional Staff	1,061,255	1,508,822	1,033,500	1,374,849
Board of Education	30,323	26,227	30,323	26,227
Administration	1,931,183	2,843,926	1,923,429	2,837,034
Fiscal	660,429	786,392	660,429	768,557
Business	96,006	93,110	96,006	93,110
Operation and Maintenance of Plant	2,789,961	2,706,908	2,608,062	2,587,872
Pupil Transportation	1,872,974	2,012,911	1,872,974	2,012,911
Central	164,099	179,541	67,247	75,486
Operation of Non-Instructional Services	498,357	591,728	2,017	67,749
Extracurricular Activities	1,215,061	1,162,154	756,014	873,862
Interest and Fiscal Charges	1,247,608	1,269,722	1,247,608	993,372
Total Expenses	\$ 32,879,774	\$ 32,891,699	\$ 29,932,172	\$ 29,960,696

The dependence upon general revenues for governmental activities is apparent. Over 91 percent of governmental activities are supported through taxes and other general revenues; such revenues are 91 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Lake Local School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

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 \$987,114 and expenses of \$1.2 million for fiscal year 2014. 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 18. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$33.8 million, expenditures of \$33.4 million and net other financing sources and uses of \$1,519 for fiscal year 2014. The net change in fund balances for the fiscal year was an increase of \$424,592 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 2014 was an increase of \$1.3 million. The \$1.2 million increase in intergovernmental revenue accounts for most of the \$1.3 million increase in revenues over fiscal year 2013. Expenditures decreased \$375,803 from fiscal year 2013. The continued reduction in salaries and benefits resulted in cost savings.

The fund balance of the debt service fund decreased by \$105,259. The timing of revenues to cover principal and interest payments contributed to this decrease.

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 2014, 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 \$29.7 million were estimated \$31,966 less than actual revenues and \$550,901 more than original budget basis revenues. Taxes and intergovernmental revenue were slightly more than originally estimated.

Final appropriations of \$29 million were \$322,569 more than original appropriations. Final appropriations were \$99,844 over actual expenditures due to cost saving efforts of the School District.

Lake Local School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the School District had \$35.2 million invested in capital assets. Table 4 shows fiscal year 2014 balances compared with 2013.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 3,022,257	\$ 3,022,257	\$ 0	\$ 0	\$ 3,022,257	\$ 3,022,257
Construction in Progress	0	3,092,830	0	0	0	3,092,830
Land Improvements	457,707	568,452	0	0	457,707	568,452
Buildings and Improvements	30,148,121	27,086,192	0	0	30,148,121	27,086,192
Furniture and Equipment	552,701	463,081	82,062	93,507	634,763	556,588
Vehicles	831,498	944,883	0	0	831,498	944,883
Textbooks	77,028	77,515	0	0	77,028	77,515
Totals	\$35,089,312	\$35,255,210	\$ 82,062	\$ 93,507	\$35,171,374	\$35,348,717

The \$177,343 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.

Lake Local School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Debt

At June 30, 2014, the School District had \$25.1 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	
	2014	2013
General Obligation Bonds:		
2005 Refunding Bonds	\$ 18,295,000	\$ 18,295,000
2005 Capital Appreciation Bonds	271,941	587,881
2005 Capital Appreciation Bonds - Accretion	794,969	1,397,338
2005 Unamortized Bond Premium	1,890,175	1,918,271
2013 School Improvement Bonds	3,890,000	3,890,000
	\$ 25,142,085	\$ 26,088,490

The decrease was primarily attributed to principal payments made during fiscal year 2014.

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 2013-14, 56 percent of the School District's General Fund total revenue was derived from state sources, while 44 percent was derived from local sources.

The School District has made significant efforts to achieve the highest level of performance while maintaining a low cost. Over the past three fiscal years, the School District has made budget cuts resulting in expenditure reductions of approximately \$2,600,000 through fiscal year 2013-14. With the most recently approved state biennium budget, the School District is anticipating the receipt of additional state funding next fiscal year. This additional state funding is just a portion of the funding that has been lost over the years. The School Board and Administration will continue to closely monitor revenues and expenditures and the need for additional local support.

Lake Local School District
Stark County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

In February 2013, the Board of Education authorized a contract with CCG Energy Solutions, Inc. for the performance of an Energy Conservation Retrofit Project as approved by the Ohio Facilities Construction Commission under the guidelines of House Bill 264. To fund the majority of the project, the Board approved the issuance and sale of bonds for the total principal amount of \$3,890,000. The project was completed in September 2013, with a total project cost of \$4,072,980. The scope of the project included lighting upgrades, mechanical upgrades and building automation, electric transformer upgrades, and stadium field lighting upgrades. With the combined electrical, natural gas and operational savings, the School District is expected to save nearly \$400,000 per year, of which CCG Energy Solutions, Inc. guaranteed to the School District through an executed performance guarantee. Based on the estimated savings and total project cost, the total project payback will be just over 10 years.

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. The School District achieved an "A" rating for academic achievement, value-added gains and graduation rates. The School District received a "B" rating for performance index, missing an "A" rating by just 0.6 points. We are still awaiting results from the 2013-14 school year, but we anticipate similar academic excellence.

Our efforts to partner with stakeholders is championed by our Strategic Planning Process. In early 2014, we underwent a significant strategic planning process, involving students, staff, parents, community members and partners. As a result, our mission statement has been revised to "Preparing All Students for Success" with a vision of "Excellence in Academics, Arts, and Athletics". Through the implementation of our new strategic plan, we will focus on the following core objectives: stewardship, partnership, process and personnel.

In order to continue to provide a quality educational program with a limited availability of financial assistance, the School District must continue to implement systems for both budgetary and internal control purposes in order to efficiently allocate and utilize those available financial resources. 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, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 7,424,921	\$ 166,990	\$ 7,591,911
Receivables:			
Accounts	17,388	0	17,388
Intergovernmental	268,421	33,313	301,734
Taxes	15,205,062	0	15,205,062
Nondepreciable Capital Assets	3,022,257	0	3,022,257
Depreciable Capital Assets (Net)	32,067,055	82,062	32,149,117
<i>Total Assets</i>	58,005,104	282,365	58,287,469
Liabilities			
Accounts Payable	84,893	2,069	86,962
Accrued Wages and Benefits	3,002,646	67,918	3,070,564
Intergovernmental Payable	658,445	25,435	683,880
Accrued Interest Payable	85,144	0	85,144
Long Term Liabilities:			
Due Within One Year	1,650,145	9,745	1,659,890
Due in More Than One Year	24,394,550	21,044	24,415,594
<i>Total Liabilities</i>	29,875,823	126,211	30,002,034
Deferred Inflows of Resources			
Property Taxes not Levied to Finance Current Year Operations	14,041,220	0	14,041,220
Net Position			
Net Investment in Capital Assets	10,742,196	82,062	10,824,258
Restricted for:			
Capital Projects	339,021	0	339,021
Debt Service	905,569	0	905,569
Athletics	193,587	0	193,587
Auxiliary	41,101	0	41,101
Other Purposes	191,142	0	191,142
Unrestricted	1,675,445	74,092	1,749,537
Total Net Position	\$ 14,088,061	\$ 156,154	\$ 14,244,215

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, 2014

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities				
Instruction:				
Regular	\$ 14,191,901	\$ 252,134	\$ 85,378	\$ 0
Special	3,879,671	22,433	985,054	0
Vocational	466,302	0	332,956	0
Student Intervention Services	25,207	0	0	0
Other	1,343,274	0	0	0
Support services:				
Pupils	1,406,163	0	0	0
Instructional Staff	1,061,255	0	27,755	0
Board of Education	30,323	0	0	0
Administration	1,931,183	1,764	5,990	0
Fiscal	660,429	0	0	0
Business	96,006	0	0	0
Operation and Maintenance of Plant	2,789,961	156,432	0	25,467
Pupil Transportation	1,872,974	0	0	0
Central	164,099	83,127	13,725	0
Operation of Non-Instructional Services	498,357	0	496,340	0
Extracurricular Activities	1,215,061	322,765	40,222	96,060
Interest and Fiscal Charges	1,247,608	0	0	0
<i>Total Governmental Activities</i>	<u>32,879,774</u>	<u>838,655</u>	<u>1,987,420</u>	<u>121,527</u>
Business-Type Activities				
Food Service	1,052,278	549,454	332,170	0
Uniform School Supplies	129,021	99,674	0	0
Supplemental Education	2,727	4,205	0	0
<i>Total Business-Type Activities</i>	<u>1,184,026</u>	<u>653,333</u>	<u>332,170</u>	<u>0</u>
Totals	<u>\$ 34,063,800</u>	<u>\$ 1,491,988</u>	<u>\$ 2,319,590</u>	<u>\$ 121,527</u>

General Revenues

Property Taxes Levied for:

General Purposes

Debt Service

Grants and Entitlements not Restricted

to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Net Transfers

Change in Net Position

Net Position Beginning of Year (Restated, See Note 2-R)

Net Position End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (13,854,389)	\$ 0	\$ (13,854,389)
(2,872,184)	0	(2,872,184)
(133,346)	0	(133,346)
(25,207)	0	(25,207)
(1,343,274)	0	(1,343,274)
(1,406,163)	0	(1,406,163)
(1,033,500)	0	(1,033,500)
(30,323)	0	(30,323)
(1,923,429)	0	(1,923,429)
(660,429)	0	(660,429)
(96,006)	0	(96,006)
(2,608,062)	0	(2,608,062)
(1,872,974)	0	(1,872,974)
(67,247)	0	(67,247)
(2,017)	0	(2,017)
(756,014)	0	(756,014)
(1,247,608)	0	(1,247,608)
<u>(29,932,172)</u>	<u>0</u>	<u>(29,932,172)</u>
0	(170,654)	(170,654)
0	(29,347)	(29,347)
<u>0</u>	<u>1,478</u>	<u>1,478</u>
<u>0</u>	<u>(198,523)</u>	<u>(198,523)</u>
<u>(29,932,172)</u>	<u>(198,523)</u>	<u>(30,130,695)</u>
12,454,430	0	12,454,430
1,714,298	0	1,714,298
16,731,572	0	16,731,572
12,571	315	12,886
<u>39,221</u>	<u>1,296</u>	<u>40,517</u>
30,952,092	1,611	30,953,703
<u>1,519</u>	<u>(1,519)</u>	<u>0</u>
1,021,439	(198,431)	823,008
<u>13,066,622</u>	<u>354,585</u>	<u>13,421,207</u>
<u>\$ 14,088,061</u>	<u>\$ 156,154</u>	<u>\$ 14,244,215</u>

See accompanying notes to the basic financial statements.

Lake Local School District
Stark County, Ohio
Balance Sheet
Governmental Funds
June 30, 2014

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 5,972,287	\$ 843,772	\$ 608,862	\$ 7,424,921
Receivables:				
Accounts	14,250	0	3,138	17,388
Intergovernmental	28,947	0	239,474	268,421
Taxes	13,372,104	1,832,958	0	15,205,062
<i>Total Assets</i>	<u>\$ 19,387,588</u>	<u>\$ 2,676,730</u>	<u>\$ 851,474</u>	<u>\$ 22,915,792</u>
Liabilities, Deferred Inflows and Fund Balances				
Liabilities				
Accounts Payable	\$ 80,221	\$ 0	\$ 4,672	\$ 84,893
Accrued Wages and Benefits	2,919,302	0	83,344	3,002,646
Intergovernmental Payable	652,002	0	6,443	658,445
<i>Total Liabilities</i>	<u>3,651,525</u>	<u>0</u>	<u>94,459</u>	<u>3,745,984</u>
Deferred Inflows of Resources				
Property Taxes not Levied to Finance Current Year Operations	12,346,288	1,694,932	0	14,041,220
Unavailable Revenue	734,084	97,872	239,353	1,071,309
<i>Total Deferred Inflows of Resources</i>	<u>13,080,372</u>	<u>1,792,804</u>	<u>239,353</u>	<u>15,112,529</u>
Fund Balances				
Restricted	7,654	883,926	596,202	1,487,782
Assigned	317,170	0	0	317,170
Unassigned	2,330,867	0	(78,540)	2,252,327
<i>Total Fund Balances</i>	<u>2,655,691</u>	<u>883,926</u>	<u>517,662</u>	<u>4,057,279</u>
<i>Total Liabilities, Deferred Inflows and Fund Balances</i>	<u>\$ 19,387,588</u>	<u>\$ 2,676,730</u>	<u>\$ 851,474</u>	<u>\$ 22,915,792</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, 2014

Total Governmental Fund Balances		\$ 4,057,279
 <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.		35,089,312
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes	\$ 831,956	
Intergovernmental	<u>239,353</u>	1,071,309
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(85,144)
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	(22,185,000)	
Capital Appreciation Bonds	(271,941)	
Bond Premium	(1,890,175)	
Accretion of Interest - Capital Appreciation Bonds	(794,969)	
Compensated Absences	<u>(902,610)</u>	<u>(26,044,695)</u>
 <i>Net Position of Governmental Activities</i>		 <u><u>\$ 14,088,061</u></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, 2014

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Local Taxes	\$ 12,440,630	\$ 1,712,072	\$ 0	\$ 14,152,702
Intergovernmental	16,749,224	279,353	1,675,912	18,704,489
Investment Income	12,571	0	160	12,731
Tuition and Fees	224,446	0	17,274	241,720
Extracurricular Activities	201,011	0	239,492	440,503
Rentals	28,432	0	128,000	156,432
Gifts and Donations	27,990	0	65,689	93,679
Miscellaneous	38,282	0	940	39,222
<i>Total Revenues</i>	<u>29,722,586</u>	<u>1,991,425</u>	<u>2,127,467</u>	<u>33,841,478</u>
Expenditures:				
Current:				
Instruction:				
Regular	13,237,831	0	55,403	13,293,234
Special	2,784,584	0	1,068,852	3,853,436
Vocational	424,788	0	37,881	462,669
Student Intervention	30,286	0	0	30,286
Other	1,343,274	0	0	1,343,274
Support Services:				
Pupils	1,377,365	0	0	1,377,365
Instructional Staff	1,032,300	0	34,578	1,066,878
Board of Education	30,323	0	0	30,323
Administration	1,931,447	0	0	1,931,447
Fiscal	617,327	31,933	0	649,260
Business	95,726	0	0	95,726
Operation and Maintenance of Plant	2,675,101	0	35,484	2,710,585
Pupil Transportation	1,766,045	0	0	1,766,045
Central	143,784	0	19,576	163,360
Operation of Non-Instructional Services	42,300	0	460,146	502,446
Extracurricular Activities	710,646	0	230,705	941,351
Capital outlay	84,884	0	917,366	1,002,250
Debt Service:				
Principal Retirement	0	315,940	0	315,940
Interest and Fiscal Charges	133,719	1,748,811	0	1,882,530
<i>Total Expenditures</i>	<u>28,461,730</u>	<u>2,096,684</u>	<u>2,859,991</u>	<u>33,418,405</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	1,260,856	(105,259)	(732,524)	423,073
Other Financing Sources (Uses):				
Transfers In	3,760	0	0	3,760
Transfers Out	0	0	(2,241)	(2,241)
<i>Total Financing Sources and (Uses)</i>	<u>3,760</u>	<u>0</u>	<u>(2,241)</u>	<u>1,519</u>
<i>Net Change in Fund Balance</i>	1,264,616	(105,259)	(734,765)	424,592
<i>Fund Balance at Beginning of Year</i>	<u>1,391,075</u>	<u>989,185</u>	<u>1,252,427</u>	<u>3,632,687</u>
<i>Fund Balance at End of Year</i>	<u>\$ 2,655,691</u>	<u>\$ 883,926</u>	<u>\$ 517,662</u>	<u>\$ 4,057,279</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, 2014*

Net Change in Fund Balances - Total Governmental Funds	\$	424,592
 <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 outlay in the current period.		
Capital Asset Additions	\$ 1,232,567	
Current Year Depreciation	<u>(1,393,618)</u>	(161,051)
 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.		
		(4,847)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	16,026	
Intergovernmental	<u>(53,870)</u>	(37,844)
 Repayment of principal and accreted interest is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Capital Appreciation Bonds	315,940	
Accreted Interest	<u>834,060</u>	1,150,000
 In the statement of activities, interest is accrued on outstanding bonds, and bond premium is amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	4,457	
Amortization of Premium on Bonds	<u>28,096</u>	32,553
 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		(150,273)
 Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds.		
		<u>(231,691)</u>
 <i>Change in Net Position of Governmental Activities</i>	 \$	 <u><u>1,021,439</u></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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property and Other Local Taxes	\$ 12,367,048	\$ 12,600,867	\$ 12,614,434	\$ 13,567
Intergovernmental	16,420,749	16,731,209	16,749,224	18,015
Investment Income	12,324	12,557	12,571	14
Tuition and Fees	223,194	227,414	227,659	245
Extracurricular Activities	64,706	65,929	66,000	71
Rentals	27,874	28,401	28,432	31
Miscellaneous	22,130	22,549	22,572	23
<i>Total Revenues</i>	<u>29,138,025</u>	<u>29,688,926</u>	<u>29,720,892</u>	<u>31,966</u>
Expenditures:				
Current:				
Instruction:				
Regular	13,209,491	13,358,313	13,312,249	46,064
Special	2,748,563	2,779,529	2,769,944	9,585
Vocational	416,833	421,530	420,076	1,454
Student Intervention Services	56,748	57,387	57,189	198
Other	1,332,905	1,347,922	1,343,274	4,648
Support Services:				
Pupils	1,303,064	1,317,745	1,313,201	4,544
Instructional Staff	1,151,302	1,164,273	1,160,258	4,015
Board of Education	31,508	31,863	31,753	110
Administration	1,988,815	2,011,222	2,004,286	6,936
Fiscal	641,400	648,627	646,390	2,237
Business	95,462	96,538	96,205	333
Operation and Maintenance of Plant	2,712,214	2,742,771	2,733,313	9,458
Pupil Transportation	1,812,941	1,833,366	1,827,044	6,322
Central	51,895	52,480	52,299	181
Operation of Non-Instructional Services	46,932	47,460	47,297	163
Extracurricular Activities	710,319	718,322	715,845	2,477
Capital Outlay	187,990	190,108	189,452	656
Debt Service:				
Interest and Fiscal Charges	132,687	134,182	133,719	463
<i>Total Expenditures</i>	<u>28,631,069</u>	<u>28,953,638</u>	<u>28,853,794</u>	<u>99,844</u>
Excess of Revenues Over (Under) Expenditures	506,956	735,288	867,098	131,810
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	116,672	118,878	119,006	128
Transfers In	5,287	5,387	5,393	6
<i>Total Other Financing Sources (Uses)</i>	<u>121,959</u>	<u>124,265</u>	<u>124,399</u>	<u>134</u>
<i>Net Change in Fund Balance</i>	628,915	859,553	991,497	131,944
<i>Fund Balance at Beginning of Year</i>	4,210,376	4,210,376	4,210,376	0
Prior Year Encumbrances Appropriated	383,205	383,205	383,205	0
<i>Fund Balance at End of Year</i>	<u>\$ 5,222,496</u>	<u>\$ 5,453,134</u>	<u>\$ 5,585,078</u>	<u>\$ 131,944</u>

See accompanying notes to the basic financial statements.

Lake Local School District
Stark County, Ohio
Statement of Net Position
Proprietary Funds
June 30, 2014

		NonMajor Enterprise Funds
Assets		
<i>Current Assets:</i>		
Equity in Pooled Cash and Cash Equivalents	\$	166,990
Intergovernmental Receivable		33,313
		200,303
<i>Total Current Assets</i>		
 <i>Non Current Assets:</i>		
Depreciable Capital Assets (Net)		82,062
		282,365
<i>Total Assets</i>		
 Liabilities		
<i>Current Liabilities:</i>		
Accounts Payable		2,069
Accrued Wages and Benefits		67,918
Compensated Absences Payable		9,745
Intergovernmental Payable		25,435
		105,167
<i>Total Current Liabilities</i>		
 Long Term Liabilities:		
Compensated Absences, Net of Current Portion		21,044
		126,211
<i>Total Liabilities</i>		
 Net Position		
Investment in Capital Assets		82,062
Unrestricted		74,092
		156,154
<i>Total Net Position</i>		
	\$	156,154

See accompanying notes to the basic financial statements.

Lake Local School District
Stark County, Ohio
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2014

	NonMajor Enterprise Funds
Operating Revenues:	
Tuition	\$ 4,205
Sales	649,128
Other Operating Revenues	1,296
<i>Total Operating Revenues</i>	654,629
Operating Expenses:	
Salaries	419,934
Fringe Benefits	151,364
Purchased Services	48,397
Materials and Supplies	551,918
Depreciation	11,445
Other	968
<i>Total Operating Expenses</i>	1,184,026
<i>Operating Income (Loss)</i>	(529,397)
Non-Operating Revenues (Expenses):	
Federal Donated Commodities	69,788
Grants	262,382
Interest	315
<i>Total Non-Operating Revenues (Expenses)</i>	332,485
<i>Income (Loss) Before Transfers</i>	(196,912)
Transfers Out	(1,519)
<i>Change in Net Position</i>	(198,431)
<i>Net Position Beginning of Year</i>	354,585
<i>Net Position End of Year</i>	\$ 156,154

See accompanying notes to the basic financial statements.

Lake Local School District
Stark County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2014

	NonMajor Enterprise Funds
Cash Flows From Operating Activities:	
Cash Received from Customers	\$ 664,588
Other Cash Receipts	1,296
Cash Paid for Goods and Services	(532,719)
Cash Paid to Employees	(560,640)
Other Cash Payments	(968)
	(428,443)
<i>Net Cash Provided By (Used For) Operating Activities</i>	<i>(428,443)</i>
Cash Flows From Non-Capital Financing Activities:	
Transfers to Other Funds	(1,519)
Grants Received	231,226
	229,707
<i>Net Cash Provided By (Used For) Non-Capital Financing Activities</i>	<i>229,707</i>
Cash Flows From Investing Activities:	
Interest on Investments	315
	(198,421)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<i>(198,421)</i>
<i>Cash and Cash Equivalents at Beginning of Year</i>	<i>365,411</i>
<i>Cash and Cash Equivalents at End of Year</i>	<i>\$ 166,990</i>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Operating Income (Loss)	\$ (529,397)
Adjustments:	
Depreciation	11,445
Federal Donated Commodities	69,788
(Increase) Decrease in Assets	
Accounts Receivable	11,255
Intergovernmental Receivable	653
Increase (Decrease) in Liabilities	
Accounts Payable	(2,192)
Accrued Wages and Benefits	8,575
Compensated Absences Payable	1,956
Intergovernmental Payable	(526)
	100,954
<i>Total Adjustments</i>	<i>100,954</i>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<i>\$ (428,443)</i>

Noncash items:

The Food Service Fund received \$69,788 in Federally Donated Commodities.

See accompanying notes to the basic financial statements.

Lake Local School District
Stark County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 453	\$ 114,856
Liabilities		
Undistributed Monies	\$ 0	\$ 1,139
Due to Students	0	113,272
Accounts Payable	0	445
<i>Total Liabilities</i>	0	\$ 114,856
Net Position		
Held in Trust for Scholarships	453	
<i>Total Net Position</i>	\$ 453	

See accompanying notes to the basic financial statements.

Lake Local School District
Stark County, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust
	Scholarship
Additions	
Interest	\$ 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.

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Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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, 2014

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, 2014

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, 2014

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 A deferred inflow of resources is an acquisition of assets by the School District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of assets by the School District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows of resources in governmental funds.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as a deferred inflow of resources.

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”.

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 2014, 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, 2014. Certificates of deposit and repurchase agreements are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$12,571 which includes \$3,926 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.

Lake Local School District
Stark County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 and construction in progress (CIP) 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.

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. 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.

Lake Local School District
Stark County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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.

I. 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.

J. 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, 2014, 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.

K. 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.

Lake Local School District
Stark County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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

L. 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.

M. 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 2014, the governmental activities received capital contributions from an outside source in the amount of \$96,060.

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

N. 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.

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2014.

P. Estimates

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

Q. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. Throughout the fiscal year, the primary level of budgetary control was at the function 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 2014.

Lake Local School District
Stark County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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.

R. Implementation of New Accounting Principles

For the fiscal year ended June 30, 2014, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, GASB Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The implementation of GASB Statement No. 65 resulted in debt issuance costs being expensed rather than being deferred. This had the following effect on net position as previously reported:

	Governmental
	<u>Activities</u>
Previously Reported Net Position	\$ 13,249,686
Unamortized Debt Issuance Costs	<u>(183,064)</u>
Restated Net position, July 1, 2013	<u><u>\$ 13,066,622</u></u>

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the School District.

GASB Statement No. 70 improves comparability of financial statements by requiring consistent reporting and specifying information required to be disclosed for extending and receiving nonexchange financial guarantees. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the School District.

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 3 - Fund Deficits

Fund balances at June 30, 2014 included the following individual fund deficits:

	<u>Deficit Fund Balance</u>
Nonmajor Funds:	
Race to the Top	\$ 97
Idea B	7,215
Title I Fund	57,473
Title II-A Fund	13,755

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	\$ 883,926	\$ 0	\$ 883,926
Capital Outlay	0	0	339,021	339,021
Other Purposes	7,654	0	257,181	264,835
Total Restricted	7,654	883,926	596,202	1,487,782
Assigned for:				
Public School Support	76,051	0	0	76,051
Encumbrances:				
Instruction	121,994	0	0	121,994
Support Services	116,749	0	0	116,749
Operation of Non-Instructional	265	0	0	265
Extracurricular	2,111	0	0	2,111
Total Assigned	317,170	0	0	317,170
Unassigned	2,330,867	0	(78,540)	2,252,327
Total Fund Balance (Deficit)	\$ 2,655,691	\$ 883,926	\$ 517,662	\$ 4,057,279

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 5 - Budgetary Basis of Accounting

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

1. Revenues and other sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures and other uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as an assignment of fund balance (GAAP).
4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. 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.

Net Change in Fund Balance	
	General
GAAP Basis	\$ 1,264,616
Net Adjustment for Revenue Accruals	280,413
Net Adjustment for Expenditure Accruals	(253,042)
Funds Budgeted Elsewhere **	(2,149)
Adjustment for Encumbrances	(298,341)
Budget Basis	\$ 991,497

** 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.

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 6 - Deposits and Investments

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
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;

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

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 \$4,908,927. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*," as of June 30, 2014, \$183,837 of the School District's bank balance of \$4,944,571 was exposed to custodial risk as discussed above, while \$4,760,734 was covered by the Federal Deposit Insurance Corporation (FDIC), which includes \$4,510,734 held in a STAR Plus account.

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For the Fiscal Year Ended June 30, 2014

Investments: Investments are reported at fair value. As of June 30, 2014, the School District had the following investment:

	Fair Value	Investment Maturities (in months) 0 - 6
STAR Ohio	\$ 2,797,293	\$ 2,797,293

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 on nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2014 is 51 days.

Credit Risk: The School District's investment at June 30, 2014 in STAR Ohio was rated AAAm by Standard & Poor's.

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, 2014 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 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, 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.

Lake Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in 2014 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Stark and Portage Counties. The County 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, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$291,732 in the general fund and \$40,154 in the debt service fund. This amount is recorded as revenue. The amount available for advance at June 30, 2013, was \$465,536 in the general fund and \$63,206 in the debt service fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 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.

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.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 383,899,630	98.57%	\$ 388,158,390	98.46%
Public Utility Personal Property	5,582,000	1.43%	6,078,540	1.54%
Total	\$ 389,481,630	100.00%	\$ 394,236,930	100.00%
Full Tax Rate per \$1,000 of assessed valuation	\$ 71.70		\$ 71.70	

Lake Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 8 - Receivables

Receivables at June 30, 2014, 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	\$ 239,353	\$ 239,353	\$ 31,155
SERS Refund Receivable	28,947	121	29,068	2,158
Total	\$ 28,947	\$ 239,474	\$ 268,421	\$ 33,313

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014 as follows:

	Balance 6/30/2013	Additions	Reductions	Balance 6/30/2014
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 3,022,257	\$ 0	\$ 0	\$ 3,022,257
Construction in Progress	3,092,830	980,150	(4,072,980)	0
Total Capital Assets not being depreciated	6,115,087	980,150	(4,072,980)	3,022,257
<i>Capital Assets, being depreciated:</i>				
Land Improvements	851,346	0	0	851,346
Buildings and Improvements	39,685,169	4,072,980	0	43,758,149
Furniture and Equipment	1,527,338	171,803	(14,540)	1,684,601
Vehicles	2,712,554	80,614	0	2,793,168
Textbooks	770,278	0	0	770,278
Total Capital Assets, being depreciated	45,546,685	4,325,397	(14,540)	49,857,542
Less Accumulated Depreciation:				
Land Improvements	(282,894)	(110,745)	0	(393,639)
Buildings and Improvements	(12,598,977)	(1,011,051)	0	(13,610,028)
Furniture and Equipment	(1,064,257)	(77,336)	9,693	(1,131,900)
Vehicles	(1,767,671)	(193,999)	0	(1,961,670)
Textbooks	(692,763)	(487)	0	(693,250)
Total Accumulated Depreciation	(16,406,562)	(1,393,618)	9,693	(17,790,487)
Total Capital Assets being depreciated, net	29,140,123	2,931,779	(4,847)	32,067,055
Governmental Activities Capital Assets, Net	<u>\$ 35,255,210</u>	<u>\$ 3,911,929</u>	<u>\$ (4,077,827)</u>	<u>\$ 35,089,312</u>
Business-Type Activities				
<i>Capital Assets being depreciated</i>				
Furniture and Equipment	\$ 205,139	\$ 0	\$ 0	\$ 205,139
Less Accumulated Depreciation	(111,632)	(11,445)	0	(123,077)
Business-Type Activities Capital Assets, Net	<u>\$ 93,507</u>	<u>\$ (11,445)</u>	<u>\$ 0</u>	<u>\$ 82,062</u>

Lake Local School District
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For the Fiscal Year Ended June 30, 2014

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

<i>Governmental Activities:</i>	
Instruction:	
Regular	\$ 891,260
Special	1,331
Support Services:	
Pupil	3,308
Instructional Staff	487
Administration	1,022
Fiscal	1,061
Operation and Maintenance of Plant	24,065
Pupil Transportation	183,956
Central	739
Operation of Non-Instructional Services	3,233
Extracurricular Activities	<u>283,156</u>
 Total Governmental Activities	 <u>\$ 1,393,618</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.

Lake Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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.

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 58 days for those employees with ten or more years of service, and 73 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, 2014

Note 12 - Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System of Ohio (“SERS”), a cost-sharing multiple-employer defined benefit pension plan. 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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$671,343, \$613,307 and \$673,869, respectively; 79 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member’s lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. 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 DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

Lake Local School District
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For the Fiscal Year Ended June 30, 2014

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,636,447, \$1,769,888 and \$1,814,426, respectively; 84 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 are available upon request.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2014, certain members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

Note 13 - Postemployment Benefits

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B 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. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 (the latest information available) was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

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Notes to the Basic Financial Statements
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Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. 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.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013, and 2012 were \$75,294, \$72,366, and \$94,808, respectively; 79 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$38,948, \$34,645, and \$39,795, respectively; 79 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System

Plan Description - The School District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law 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 Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$125,881, \$142,286, and \$143,305, respectively; 84 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

Lake Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 14 - Long - Term Obligations

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

	Outstanding 6/30/2013	Additions	Reductions	Outstanding 6/30/2014	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	\$ 0	\$ 18,295,000	\$ 0
Capital Appreciation Bonds at 4.17% - 4.45%	587,881	0	315,940	271,941	271,941
Accretion of Interest	1,397,338	231,691	834,060	794,969	794,969
Unamortized Bond Premium	1,918,271	0	28,096	1,890,175	0
2013 School Improvement Bonds	3,890,000	0	0	3,890,000	210,000
Total General Obligation Bonds	26,088,490	231,691	1,178,096	25,142,085	1,276,910
Compensated Absences	752,337	319,086	168,813	902,610	373,235
Total Governmental Activities Long-Term Liabilities	\$ 26,840,827	\$ 550,777	\$ 1,346,909	\$ 26,044,695	\$ 1,650,145
Business-Type Activities					
Compensated Absences	\$ 28,833	\$ 9,522	\$ 7,566	\$ 30,789	\$ 9,745

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 \$28,096 was recorded for June 30, 2014. 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.

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

Lake Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The outstanding capital appreciation bonds mature 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 is \$2,300,000. For fiscal year 2014, \$231,691 was accreted. For fiscal year 2014, \$1,150,000 matured.

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.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2014 are as follows:

Fiscal Year Ending June 30,	Serial Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2015	\$ 210,000	\$ 1,018,838	\$ 271,941	\$ 878,059	\$ 481,941	\$ 1,896,897
2016	1,360,000	984,368	0	0	1,360,000	984,368
2017	1,435,000	919,444	0	0	1,435,000	919,444
2018	1,505,000	851,119	0	0	1,505,000	851,119
2019	1,570,000	779,588	0	0	1,570,000	779,588
2020 - 2024	9,005,000	2,701,131	0	0	9,005,000	2,701,131
2025 - 2029	7,100,000	534,313	0	0	7,100,000	534,313
Total	\$22,185,000	\$ 7,788,801	\$ 271,941	\$ 878,059	\$ 22,456,941	\$ 8,666,860

Note 15 - Interfund Transfers

Transfers made during fiscal year 2014 were as follows:

Fund	Transfer In	Transfer Out
General Fund	\$ 3,760	\$ 0
Nonmajor Governmental Funds	0	2,241
Nonmajor Enterprise Funds	0	1,519
Total	\$ 3,760	\$ 3,760

These transfers were residual equity transfers made to the General fund when funds were closed out.

Lake Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 \$23,145 to SPARCC for basic services in fiscal year 2014.

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, 2014, 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:

<u>Fund</u>	<u>Encumbrances</u>
General Fund	\$ 241,119
Nonmajor Governmental Funds	<u>87,637</u>
	<u>\$ 328,756</u>

Lake Local School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 BWC and capital improvement reserves. Disclosure of this information is required by State statute.

	BWC	Capital Improvement
Set Aside Restricted Balance June 30, 2013	\$ 95,898	\$ 0
Current Year Set-Aside Requirement	0	581,497
Current Year Qualifying Expenditures	(95,898)	(605,278)
Total	\$ 0	\$ (23,781)
 Balance Carried Forward to Fiscal Year 2015	 \$ 0	 \$ 0
 Set Aside Balance June 30, 2014	 \$ 0	 \$ 0

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**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Revenues	Expenses
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	N/A	10.555	\$ 69,788	\$ 69,788
Cash Assistance:				
National School Lunch Program	049866-3L60-2014	10.555	225,509	225,509
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>295,297</u>	<u>295,297</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I, Part A Cluster:				
Title I, Grants to Local Educational Agencies	049866-3M00-2013	84.010	59,378	65,152
Title I, Grants to Local Educational Agencies	049866-3M00-2014	84.010	281,286	281,286
Total Title I, Part A Cluster			<u>340,664</u>	<u>346,438</u>
Special Education Cluster:				
Special Education-Grants to States, IDEA-B	049866-3M20-2013	84.027	55,701	50,079
Special Education-Grants to States, IDEA-B	049866-3M20-2014	84.027	724,702	724,518
Total Special Education Cluster			<u>780,403</u>	<u>774,597</u>
Improving Teacher Quality State Grants, Title II-A				
Improving Teacher Quality State Grants, Title II-A	049866-3Y60-2013	84.367	5,399	5,398
Improving Teacher Quality State Grants, Title II-A	049866-3Y60-2014	84.367	52,692	52,692
Total Improving Teacher Quality State Grants			<u>58,091</u>	<u>58,090</u>
ARRA - Race to the Top				
ARRA - Race to the Top	049866-3FD0-2013	84.395	-	264
ARRA - Race to the Top	049866-3FD0-2014	84.395	29,983	29,983
Total ARRA - Race to the Top			<u>29,983</u>	<u>30,247</u>
ARRA - Ohio Resident Educator Program	049866-3FD0-2014	84.395	1,050	1,050
<i>Total Passed Through Ohio Department of Education</i>			<u>1,210,191</u>	<u>1,210,422</u>
<i>Passed Through Plain Local School District:</i>				
Career and Technical Education-Basic Grants to States	n/a	84.048	35,950	37,595
Total U.S. Department of Education			<u>1,246,141</u>	<u>1,248,017</u>
Total Federal Financial Assistance			<u>\$ 1,541,438</u>	<u>\$ 1,543,314</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, 2014**

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, 2014 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 29, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Dave Yost
Auditor of State
Columbus, Ohio

August 29, 2014



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Lake Local School District's, (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Lake Local School District's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Lake Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

August 29, 2014

**LAKE LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster: Special Education – Grants to States, IDEA - B – CFDA #84.027
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	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
SEPTEMBER 11, 2014**