LAKE LOCAL SCHOOL DISTRICT
STARK COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

LAKE LOCAL SCHOOL DISTRICT
STARK COUNTY
JUNE 30, 2018

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OHIO AUDITOR OF STATE
KEITH FABER

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, 2018, 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 the Lake Local School District, Stark County, Ohio, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2019, 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.

Keith Faber
Auditor of State

Columbus, Ohio

March 14, 2019

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The discussion and analysis of the Lake Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. 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 2018 are as follows:

- Net position increased $19.3 million, or 208 percent in governmental activities from fiscal year 2017. Net position in the business-type activities increased $84,811.

- Total capital assets increased $34.1 million during fiscal year 2018. This was primarily related to current year construction in progress relating to the Ohio Facilities Construction Commission project.

- During the fiscal year, outstanding debt obligations decreased from $54.5 million to $52.2 million due to principal payments made during fiscal year 2018.

- The School District implemented GASB 75, which reduced beginning net position as previously reported by $10.7 million in governmental activities and $271,887 in business-type activities.

- A decrease in net pension liability and net OPEB liability substantially decreased all instructional and support services expenses compared to fiscal year 2017. See further explanation after Table 1.

Using this Annual Report

This annual report consists of the MD&A, the basic financial statements and the notes to the basic financial statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include ***all assets and deferred outflows of resources*** and ***liabilities and deferred inflows of resources*** using the ***accrual basis of accounting*** similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- Governmental Activities - Most of the School District's programs and services are reported here, including instruction, support services, operation of non-instructional services and extracurricular activities.

- Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District's adult and supplemental education programs, food service, and uniform school supplies are reported as business activities.

The government-wide financial statements begin on page 17.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

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

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

The governmental fund financial statements begin on page 19.

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

The proprietary fund financial statements begin on page 24.

Reporting the School District's Fiduciary Responsibilities

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

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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 2018 compared to 2017. Net position for fiscal year 2017 has been restated as described in Note 2.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017 Restated	2018	2017 Restated	2018	2017 Restated
Assets						
Current and Other Assets	$ 66,106,512	$ 97,370,268	$ 63,313	$ 42,563	$ 66,169,825	$ 97,412,831
Capital Assets	80,487,362	46,419,578	23,972	46,352	80,511,334	46,465,930
Total Assets	146,593,874	143,789,846	87,285	88,915	146,681,159	143,878,761
Deferred Outflows of Resources						
Pension & OPEB	12,850,312	10,613,417	102,605	94,797	12,952,917	10,708,214
Liabilities						
Other Liabilities	8,658,647	6,971,035	88,146	99,357	8,746,793	7,070,392
Long-Term Liabilities						
Due Within One Year	2,325,956	2,464,532	13,024	10,704	2,338,980	2,475,236
Due in More Than One Year						
Pension & OPEB Liability	47,698,308	64,428,377	819,522	945,152	48,517,830	65,373,529
Other Amounts	50,593,390	52,777,928	31,846	22,330	50,625,236	52,800,258
Total Liabilities	109,276,301	126,641,872	952,538	1,077,543	110,228,839	127,719,415
Deferred Inflows of Resources						
Property Taxes	17,752,032	17,182,057	0	0	17,752,032	17,182,057
Deferred Charges on Refunding	1,140,762	1,267,513	0	0	1,140,762	1,267,513
Pension & OPEB	2,649,568	0	53,521	7,149	2,703,089	7,149
Total Deferred Inflows of Resources	21,542,362	18,449,570	53,521	7,149	21,595,883	18,456,719
Net Position						
Net Investment in Capital Assets	31,534,931	11,590,114	23,972	46,352	31,558,903	11,636,466
Restricted	25,514,482	43,764,426	0	0	25,514,482	43,764,426
Unrestricted	(28,423,890)	(46,042,719)	(840,141)	(947,332)	(29,264,031)	(46,990,051)
Total Net Position	$ 28,625,523	$ 9,311,821	$ (816,169)	$ (900,980)	$ 27,809,354	$ 8,410,841

The net pension liability (NPL) is the one of the largest liabilities reported by the School District at June 30, 2018 and is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27. For fiscal year 2018, the School District adopted GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

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

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from $20,000,792 to $9,311,821 for the governmental activities and $(629,093) to $(900,980) for the business-type activities.

At year end, governmental activity capital assets of the School District represented 55 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles, textbooks and construction in progress. Net investment in capital assets was $31.5 million at June 30, 2018. 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 governmental activities net position, $25.5 million, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position is a deficit of $28.4 million for governmental activities, which is primarily caused by GASBs 68 and 75.

Current and other assets in the governmental activities decreased from fiscal year 2017 due to two primary factors. Cash decreased primarily due to timing differences between receipt of drawdowns and payment of expenses related to the OFCC project. Intergovernmental receivables decreased which was mainly due to the drawdowns the School District received during fiscal year 2018 from the Ohio Facilities Construction Commission (OFCC). Since the entire grant was recognized in the year it was awarded the receivable decreases each year by the amount of drawdowns the School District received. Nondepreciable capital assets also increased due to the progression of the OFCC project. There was a correlating increase in contracts and retainage payable which constitutes the majority of the increase in current liabilities. This increase is due to the timing of expenses for the OFCC project.

The significant decrease in net pension liability is largely the result of a change in benefit terms in which STRS reduced their COLA to zero coupled by a slight reduction in COLA benefits by SERS. The significant increase in deferred outflows and inflows related to pension/OPEB are primarily from the change of assumptions and the difference in projected and actual investments earnings, respectively. All components of pension and OPEB accruals contribute to the fluctuations in deferred outflows/inflows and NPL/NOL and are described in more detail in their respective notes.

Operations of business-type activities remained fairly constant with prior year resulting in minimal fluctuations from fiscal year 2017 to 2018.

Table 2 shows the changes in net position for fiscal year 2018 compared to 2017.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues:						
Charges for Services	$ 1,115,651	$ 1,006,265	$ 682,898	$ 705,305	$ 1,798,549	$ 1,711,570
Operating Grants	3,338,047	3,480,053	359,563	324,455	3,697,610	3,804,508
Capital Grants	21,012	23,736	0	0	21,012	23,736
Total Program Revenues	4,474,710	4,510,054	1,042,461	1,029,760	5,517,171	5,539,814
General Revenues:						
Property Taxes	17,917,048	17,133,279	0	0	17,917,048	17,133,279
Grants and Entitlements	18,215,166	17,721,763	0	0	18,215,166	17,721,763
Payments in Lieu of Taxes	44,371	49,896	0	0	44,371	49,896
Other	742,051	494,178	0	1,030	742,051	495,208
Total General Revenues	36,918,636	35,399,116	0	1,030	36,918,636	35,400,146
Total Revenues	41,393,346	39,909,170	1,042,461	1,030,790	42,435,807	40,939,960
Program Expenses						
Instruction:						
Regular	$ 5,960,931	$ 16,534,234	$ 0	$ 0	$ 5,960,931	$ 16,534,234
Special	2,228,536	4,475,629	0	0	2,228,536	4,475,629
Vocational	347,522	571,159	0	0	347,522	571,159
Other	1,680,789	1,675,574	0	0	1,680,789	1,675,574
Support Services:						
Pupils	1,015,915	2,089,017	0	0	1,015,915	2,089,017
Instructional Staff	745,813	1,151,152	0	0	745,813	1,151,152
Board of Education	31,373	33,968	0	0	31,373	33,968
Administration	1,328,505	2,411,153	0	0	1,328,505	2,411,153
Fiscal	748,450	784,656	0	0	748,450	784,656
Business	143,872	211,161	0	0	143,872	211,161
Operation and Maintenance of Plant	2,717,128	2,960,341	0	0	2,717,128	2,960,341
Pupil Transportation	2,045,968	2,252,473	0	0	2,045,968	2,252,473
Central	150,741	189,531	0	0	150,741	189,531
Operation of Non-Instructional Services:						
Food Service Operations	12,260	0	0	0	12,260	0
Community Services	384,538	642,898	0	0	384,538	642,898
Extracurricular Activities	821,996	1,372,864	0	0	821,996	1,372,864
Debt Service:						
Interest and Fiscal Charges	1,715,307	1,772,976	0	0	1,715,307	1,772,976
Enterprise Funds	0	0	957,650	1,057,443	957,650	1,057,443
Total Expenses	22,079,644	39,128,786	957,650	1,057,443	23,037,294	40,186,229
Transfers	0	(32,287)	0	32,287	0	0
Increase (Decrease) in Net Position	19,313,702	748,097	84,811	5,634	19,398,513	753,731
Net Position at Beginning of Year (Restated)	9,311,821	N/A	(900,980)	N/A	8,410,841	N/A
Net Position at End of Year	$ 28,625,523	$ 9,311,821	$ (816,169)	$ (900,980)	$ 27,809,354	$ 8,410,841

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $71,542 and $5,385, for the governmental and business-type activities respectively, computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $1,365,141 for the governmental activities and $16,075 OPEB expense for the business-type activities. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	Governmental Activites	Business-Type Activities
Total 2018 Program Expenses under GASB 75	$ 22,079,644	$ 957,650
Negative OPEB Expense under GASB 75	1,365,141	(16,075)
2018 Contractually Required Contribution	86,764	6,531
Adjusted 2018 Program Expenses	23,531,549	948,106
Total 2017 Program Expenses under GASB 45	39,128,786	1,057,443
Decrease in Program Expenses not Related to OPEB	$ (15,597,237)	$ (109,337)

Net position in the governmental activities increased $19.3 million from fiscal year 2017. See financial highlights for explanation of fluctuations in instructional and support services expenses.

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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	
	2018	2017	2018	2017
Instruction:				
Regular	$ 5,960,931	$ 16,534,234	$ 5,425,067	$ 16,122,353
Special	2,228,536	4,475,629	(29,819)	2,158,924
Vocational	347,522	571,159	(53,813)	190,894
Other	1,680,789	1,675,574	1,680,789	1,675,574
Support Services:				
Pupils	1,015,915	2,089,017	1,015,915	2,063,444
Instructional Staff	745,813	1,151,152	656,189	1,138,915
Board of Education	31,373	33,968	31,373	33,968
Administration	1,328,505	2,411,153	1,321,246	2,406,853
Fiscal	748,450	784,656	748,450	784,656
Business	143,872	211,161	143,872	211,161
Operation and Maintenance of Plant	2,717,128	2,960,341	2,540,399	2,737,834
Pupil Transportation	2,045,968	2,252,473	1,960,837	2,186,416
Central	150,741	189,531	93,040	75,596
Operation of Non-Instructional Services:				
Food Service Operations	12,260	0	12,260	0
Community Services	384,538	642,898	(169,957)	50,424
Extracurricular Activities	821,996	1,372,864	513,779	1,008,744
Debt Service:				
Interest and Fiscal Charges	1,715,307	1,772,976	1,715,307	1,772,976
Total Expenses	$ 22,079,644	$ 39,128,786	$ 17,604,934	$ 34,618,732

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

The total and net cost of services changes were primarily caused by the change in COLA related to NPL as previously discussed.

Business-Type Activities

Business-type activities include our adult and supplemental education programs, the food service operation and the sale of uniform school supplies. These programs had total revenues and expenses of $1 million resulting in an increase in net position of $84,811 for fiscal year 2018. There were no significant fluctuations in operations as compared to the prior year.

Financial Analysis of the Government's Funds

Governmental Funds

Information about the School District's major funds starts on page 19. The net change in fund balances for the fiscal year was a decrease of $21.9 million for all governmental funds.

The general fund's net change in fund balance for fiscal year 2018 was an increase of $1.1 million due to revenues outpacing expenditures.

The bond retirement fund's net change in fund balance for fiscal year 2018 was an increase of $16,312.

The classroom facilities fund's net change in fund balance for fiscal year 2018 was a decrease of $22.9 million. This was caused by the timing of drawdowns and project expenditures. This balance will decline in future years as the construction is completed.

General Fund Budgeting Highlights

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

During the course of fiscal year 2018, the School District amended its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, actual revenues were almost $0.3 million higher than final budget estimates of $34.3 million. Final budget basis revenues increased $0.5 over original budget due to an increase in property taxes.

Final appropriations of $33.7 million were nearly $0.2 million higher than actual expenditures. Original appropriations increased $0.7 million as additional revenues became available.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the School District had $80.5 million invested in capital assets. The $34.0 million increase in capital assets was primarily attributable to construction in progress related to the district-wide facilities project that began in fiscal year 2017 exceeding current year depreciation on existing capital assets. See Note 9 for more information about the capital assets of the School District.

Table 4 shows fiscal year 2018 balances compared with 2017.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	$ 3,127,145	$ 3,037,257	$ 0	$ 0	$ 3,127,145	$ 3,037,257
Construction in Progress	50,265,023	14,936,680	0	0	50,265,023	14,936,680
Land Improvements	14,727	125,472	0	0	14,727	125,472
Buildings and Improvements	26,002,522	27,062,713	0	0	26,002,522	27,062,713
Furniture and Equipment	498,350	619,612	23,972	46,352	522,322	665,964
Vehicles	579,595	560,816	0	0	579,595	560,816
Textbooks	0	77,028	0	0	0	77,028
Totals	$ 80,487,362	$ 46,419,578	$ 23,972	$ 46,352	$ 80,511,334	$ 46,465,930

Debt

At June 30, 2018, the School District had $52.1 million in debt outstanding. Total debt obligations decreased $2.3 million primarily due to principal payments on existing debt during fiscal year 2018. See Note 14 for additional details. Table 5 summarizes debt outstanding.

Table 5
Outstanding Debt and Related Charges, at June 30

	Governmental Activities	
	2018	2017
General Obligation Bonds:		
2013 School Improvement Bonds	$ 3,005,000	$ 3,240,000
2015 Refunding Bonds	13,635,000	14,940,000
2015 Unamortized Bond Premium	1,030,837	1,129,498
2015 School Improvement Bonds	33,750,000	34,175,000
2015 Unamortized Bond Premium	733,354	742,589
Capital Lease	0	244,517
Total	$ 52,154,191	$ 54,471,604

Current Issues

The Lake Local School District continues to provide and be recognized for providing a quality education for our students in a closely monitored, cost controlled environment. The School District continues to rely on both state revenue and local property taxes for the continued support of public education. During fiscal year 2017-18, 56 percent of the School District's General Fund total revenue was derived from state sources, while 44 percent was derived from local and other sources.

The School District has made significant efforts to achieve the highest level of performance while maintaining a low cost. Based on performance index and expenditure per pupil for the 2017-2018 school year, there were only eight school districts in the state of Ohio who performed better but spent less than the School District. In addition, the School District's performance index for the 2017-2018 school year was the highest in Stark County for the third year in a row. The School Board and Administration continue to closely monitor performance in conjunction with revenues and expenditures.

The School District's Performance Index during the past decade has consistently placed us in the top ten percent in the State, with our highest performance placing us in the top five percent. The School District professional development emphasizes transition to student centered learning with the expectation we will demonstrate a higher rating on each subsequent district report card. Our 2018 district report card reveals an overall grade of B. It should be noted that only 6 out of 608 districts in the State of Ohio received an overall grade of A. Our results across all categories rank us first in Stark County and 53 in the State out of 608 districts. This puts us in the top nine percent in performance statewide. Our report card results continue to show that we are making great academic success with all of our students.

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

Beginning Fall 2014, the School District began a planning process to engage the community to gather input about the future needs of the School District and its facilities. After hosting several community meetings, and compiling survey data and input, a Steering Committee decided on a master plan that was recommended to the Superintendent and Board of Education. A three-part ballot issue was placed on the May 2015 ballot for voter approval, and subsequently passed with overwhelming support. Since then, the School District has been working with the Ohio Facilities Construction Commission on a School district-wide facility project. During the 2018-2019 school year, all of our students will be in new academic settings. Our K-1 population will transition to our new Lake Primary building. All School District students in grades 2 through 6 will enter a brand new Lake Elementary. Our students in grades 7 through 12 will come together under one roof into a newly renovated High School with an 80,000 square foot addition of new learning space. Our new academic settings will be state of the art, with flexible spaces and furniture, and have access to extended learning areas. Technology in the form of one-to-one computing will be district-wide in all grades. In addition, the School District is developing a K-12 curriculum for robotics. The delivery of content will continue to evolve into the best practice of student centered learning. Our School District is very excited about the opportunities that these new environments are providing to our students and staff.

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

Contacting the School District's Financial Management

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

Lake Local School District
Stark County, Ohio
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Investments	$ 39,311,258	$ 63,313	$ 39,374,571
Receivables:			
Accounts	68,638	0	68,638
Intergovernmental	7,684,905	0	7,684,905
Property Taxes	19,041,711	0	19,041,711
Nondepreciable Capital Assets	53,392,168	0	53,392,168
Depreciable Capital Assets (Net)	27,095,194	23,972	27,119,166
Total Assets	146,593,874	87,285	146,681,159
Deferred Outflows of Resources			
Pension	12,428,386	96,074	12,524,460
OPEB	421,926	6,531	428,457
Total Deferred Outflows of Resources	12,850,312	102,605	12,952,917
Liabilities			
Accounts Payable	125,672	0	125,672
Accrued Wages and Benefits	3,617,109	74,775	3,691,884
Contracts Payable	3,021,037	0	3,021,037
Intergovernmental Payable	676,325	13,371	689,696
Retainage Payable	1,057,580	0	1,057,580
Accrued Interest Payable	160,924	0	160,924
Long Term Liabilities:			
Due Within One Year	2,325,956	13,024	2,338,980
Due In More Than One Year:			
Net Pension Liability	39,087,852	562,290	39,650,142
OPEB Liability	8,610,456	257,232	8,867,688
Other Amounts	50,593,390	31,846	50,625,236
Total Liabilities	109,276,301	952,538	110,228,839
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	17,752,032	0	17,752,032
Deferred Charge on Refunding	1,140,762	0	1,140,762
Pension	1,601,032	22,791	1,623,823
OPEB	1,048,536	30,730	1,079,266
Total Deferred Inflows of Resources	21,542,362	53,521	21,595,883
Net Position			
Net Investment in Capital Assets	31,534,931	23,972	31,558,903
Restricted For:			
Capital Outlay	23,612,749	0	23,612,749
Debt Service	1,064,011	0	1,064,011
Athletics	93,449	0	93,449
Auxiliary Programs	15,588	0	15,588
Other Purposes	728,685	0	728,685
Unrestricted	(28,423,890)	(840,141)	(29,264,031)
Total Net Position	$ 28,625,523	$ (816,169)	$ 27,809,354

See accompanying notes to the financial statements.

Lake Local School District
Stark County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction:							
Regular	$ 5,960,931	$ 530,565	$ 5,299	$ 0	$ (5,425,067)	$ 0	$ (5,425,067)
Special	2,228,536	67,073	2,191,282	0	29,819	0	29,819
Vocational	347,522	250	401,085	0	53,813	0	53,813
Other	1,680,789	0	0	0	(1,680,789)	0	(1,680,789)
Support Services:							
Pupils	1,015,915	0	0	0	(1,015,915)	0	(1,015,915)
Instructional Staff	745,813	0	89,624	0	(656,189)	0	(656,189)
Board of Education	31,373	0	0	0	(31,373)	0	(31,373)
Administration	1,328,505	7,259	0	0	(1,321,246)	0	(1,321,246)
Fiscal	748,450	0	0	0	(748,450)	0	(748,450)
Business	143,872	0	0	0	(143,872)	0	(143,872)
Operation and Maintenance of Plant	2,717,128	155,717	0	21,012	(2,540,399)	0	(2,540,399)
Pupil Transportation	2,045,968	0	85,131	0	(1,960,837)	0	(1,960,837)
Central	150,741	55,670	2,031	0	(93,040)	0	(93,040)
Operation of Non-Instructional Services:							
Food Service Operations	12,260	0	0	0	(12,260)	0	(12,260)
Community Services	384,538	0	554,495	0	169,957	0	169,957
Extracurricular Activities	821,996	299,117	9,100	0	(513,779)	0	(513,779)
Debt Service:							
Interest and Fiscal Charges	1,715,307	0	0	0	(1,715,307)	0	(1,715,307)
Total Governmental Activities	22,079,644	1,115,651	3,338,047	21,012	(17,604,934)	0	(17,604,934)
Business-Type Activities							
Food Service	934,639	653,733	359,563	0	0	78,657	78,657
Uniform School Supplies	21,590	24,525	0	0	0	2,935	2,935
Supplemental Education	1,421	4,640	0	0	0	3,219	3,219
Total Business-Type Activities	957,650	682,898	359,563	0	0	84,811	84,811
Totals	$ 23,037,294	$ 1,798,549	$ 3,697,610	$ 21,012	$ (17,604,934)	$ 84,811	$ (17,520,123)
	General Revenues						
	Property Taxes Levied for:						
	General Purposes				13,998,668	0	13,998,668
	Debt Service				3,372,232	0	3,372,232
	Capital Outlay				546,148	0	546,148
	Grants and Entitlements Not Restricted to Specific Programs				18,215,166	0	18,215,166
	Payments in Lieu of Taxes				44,371	0	44,371
	Investment Earnings				589,684	0	589,684
	Miscellaneous				152,367		152,367
	Total General Revenues				36,918,636	0	36,918,636
	Change in Net Position				19,313,702	84,811	19,398,513
	Net Position Beginning of Year - Restated, See Note 2S.				9,311,821	(900,980)	8,410,841
	Net Position End of Year				$ 28,625,523	$ (816,169)	$ 27,809,354

See accompanying notes to the financial statements.

Lake Local School District
Stark County, Ohio
Balance Sheet
Governmental Funds
June 30, 2018

	General	Bond Retirement Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Investments	$ 12,921,677	$ 976,806	$ 21,576,584	$ 3,836,192	$ 39,311,259
Receivables:					
Accounts	59,108	0	0	9,530	68,638
Interfund	24,854	0	0	0	24,854
Intergovernmental	112,368	0	7,257,313	315,224	7,684,905
Property Taxes	14,653,160	3,755,040	0	633,511	19,041,711
Total Assets	$ 27,771,167	$ 4,731,846	$ 28,833,897	$ 4,794,457	$ 66,131,367
Liabilities					
Accounts Payable	$ 72,466	$ 0	$ 0	$ 53,206	$ 125,672
Accrued Wages and Benefits	3,560,412	0	0	56,697	3,617,109
Contracts Payable	0	0	2,973,784	47,253	3,021,037
Intergovernmental Payable	640,691	0	0	35,634	676,325
Retainage Payable	0	0	1,057,580	0	1,057,580
Interfund Payable	0	0	0	24,854	24,854
Total Liabilities	4,273,569	0	4,031,364	217,644	8,522,577
Deferred Inflows of Resources					
Property Taxes Levied for the Next Year	13,644,142	3,513,798	0	594,092	17,752,032
Unavailable Revenue	775,554	183,233	7,257,313	320,524	8,536,624
Total Deferred Inflows of Resources	14,419,696	3,697,031	7,257,313	914,616	26,288,656
Fund Balances					
Restricted	0	1,034,815	17,545,220	3,748,020	22,328,055
Assigned	263,395	0	0	0	263,395
Unassigned	8,814,507	0	0	(85,823)	8,728,684
Total Fund Balances	9,077,902	1,034,815	17,545,220	3,662,197	31,320,134
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 27,771,167	$ 4,731,846	$ 28,833,897	$ 4,794,457	$ 66,131,367

See accompanying notes to the financial statements.

Lake Local School District
Stark County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2018

Total Governmental Fund Balances		$ 31,320,134
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		80,487,362
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	$ 7,547,683	
Property Taxes	988,941	8,536,624
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(160,924)
In the statement of activities, a gain/loss on refunding is amortized over the term of the bonds, whereas in governmental funds a refunding gain/loss is reported when bonds are issued		(1,140,762)
The net pension and OPEB liabilities are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	12,428,386	
Deferred Outflows - OPEB	421,926	
Net Pension Liability	(39,087,852)	
Net OPEB Liability	(8,610,456)	
Deferred Inflows - Pension	(1,601,032)	
Deferred Inflows - OPEB	(1,048,536)	(37,497,564)
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	(50,390,000)	
Bond Premium	(1,764,192)	
Compensated Absences	(765,155)	(52,919,347)
Net Position of Governmental Activities		$ 28,625,523

See accompanying notes to the 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, 2018

	General	Bond Retirement Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property and Other Local Taxes	$ 13,972,946	$ 3,361,762	$ 0	$ 545,144	$ 17,879,852
Intergovernmental	19,606,092	303,740	11,588,239	1,673,556	33,171,627
Investment Income	245,652	0	319,288	26,463	591,403
Tuition and Fees	546,580	0	0	8,512	555,092
Extracurricular Activities	172,928	0	0	231,669	404,597
Rentals	26,717	0	0	129,000	155,717
Contributions and Donations	4,143	0	0	33,548	37,691
Payment in Lieu of Taxes	0	0	0	44,371	44,371
Miscellaneous	112,171	0	14,940	25,256	152,367
Total Revenues	34,687,229	3,665,502	11,922,467	2,717,519	52,992,717
Expenditures					
Current:					
Instruction:					
Regular	15,182,791	0	0	2,386	15,185,177
Special	3,204,900	0	0	958,589	4,163,489
Vocational	629,127	0	0	33,153	662,280
Other	1,680,789	0	0	0	1,680,789
Support Services:					
Pupils	1,997,687	0	0	4,272	2,001,959
Instructional Staff	1,168,034	0	0	78,664	1,246,698
Board of Education	31,373	0	0	0	31,373
Administration	2,547,055	0	0	5,880	2,552,935
Fiscal	684,400	51,329	26,840	9,656	772,225
Business	301,251	0	0	0	301,251
Operation and Maintenance of Plant	2,797,141	0	0	63,303	2,860,444
Pupil Transportation	2,087,182	0	0	81,823	2,169,005
Central	119,238			29,991	149,229
Extracurricular Activities	870,770	0	0	229,592	1,100,362
Operation of Non-Instructional Services:					
Community Services	0	0	0	545,124	545,124
Capital Outlay	92,341	0	34,784,042	545,830	35,422,213
Debt Service:					
Principal Retirement	235,000	1,730,000	0	244,517	2,209,517
Interest and Fiscal Charges	85,869	1,867,861	0	18,606	1,972,336
Total Expenditures	33,714,948	3,649,190	34,810,882	2,851,386	75,026,406
Excess of Revenues Over (Under) Expenditures	972,281	16,312	(22,888,415)	(133,867)	(22,033,689)
Other Financing Sources (Uses)					
Proceeds from Sale of Capital Assets	89,335	0	0	0	89,335
Net Change in Fund Balance	1,061,616	16,312	(22,888,415)	(133,867)	(21,944,354)
Fund Balances Beginning of Year	8,016,286	1,018,503	40,433,635	3,796,064	53,264,488
Fund Balances End of Year	$ 9,077,902	$ 1,034,815	$ 17,545,220	$ 3,662,197	$ 31,320,134

See accompanying notes to the 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, 2018

Net Change in Fund Balances - Total Governmental Funds		$ (21,944,354)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	$ 35,657,230	
Current Year Depreciation	(1,453,668)	34,203,562
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.		(135,778)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	37,197	
Intergovernmental	(11,636,568)	(11,599,371)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bonds	1,965,000	
Capital Lease Obligation	244,517	2,209,517
Amortization of bond premiums on bonds are not reported in the fund but are allocated as an expense over the life of the debt in the statement of activities.		107,896
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	2,758,379	
OPEB	86,764	2,845,143
Except for amount reported as deferred inflows/outflows, changes in the net pension and OPEB liabilities are reported as pension/OPEB expense in the statement of activities.		
Pension	12,107,112	
OPEB	1,365,141	13,472,253
In the statement of activities, interest is accrued on outstanding bonds, and gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	22,382	
Amortization of Refunding Gain	126,751	149,133
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		5,701
Change in Net Position of Governmental Activities		$ 19,313,702

See accompanying notes to the 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, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Revenues				
Property and Other Local Taxes	$ 13,563,291	$ 13,963,291	$ 14,042,560	$ 79,269
Intergovernmental	19,539,353	19,539,353	19,517,645	(21,708)
Investment Income	135,848	235,848	310,563	74,715
Tuition and Fees	390,470	410,470	546,580	136,110
Extracurricular Activities	77,144	77,144	66,197	(10,947)
Rentals	31,647	31,647	23,929	(7,718)
Contributions and Donations	0	0	250	250
Miscellaneous	23,580	23,580	34,465	10,885
Total Revenues	33,761,333	34,281,333	34,542,189	260,856
Expenditures				
Current:				
Instruction:				
Regular	14,767,853	15,060,665	14,991,041	69,624
Special	3,198,930	3,262,358	3,247,276	15,082
Vocational	604,224	616,205	613,356	2,849
Other	1,655,765	1,688,595	1,680,789	7,806
Support Services:				
Pupils	1,967,098	2,006,101	1,996,827	9,274
Instructional Staff	1,128,605	1,150,983	1,145,662	5,321
Board of Education	30,906	31,519	31,373	146
Administration	2,562,197	2,613,000	2,600,920	12,080
Fiscal	664,074	677,241	674,110	3,131
Business	297,632	303,533	302,130	1,403
Operation and Maintenance of Plant	2,845,216	2,901,630	2,888,216	13,414
Pupil Transportation	2,092,923	2,134,421	2,124,554	9,867
Central	48,055	49,008	48,781	227
Extracurricular Activities	826,539	842,928	839,031	3,897
Capital Outlay	92,416	94,249	93,813	436
Debt Service:				
Principal Retirement	235,000	235,000	235,000	0
Interest and Fiscal Charges	85,869	85,869	85,869	0
Total Expenditures	33,103,302	33,753,305	33,598,748	154,557
Excess of Revenues Over (Under) Expenditures	658,031	528,028	943,441	415,413
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	6,000	6,000	89,335	83,335
Refund of Prior Year Expenditures	38,714	38,714	74,141	35,427
Total Other Financing Sources (Uses)	44,714	44,714	163,476	118,762
Net Change in Fund Balance	702,745	572,742	1,106,917	534,175
Fund Balance Beginning of Year	11,306,751	11,306,751	11,306,751	0
Prior Year Encumbrances Appropriated	253,086	253,086	253,086	0
Fund Balance End of Year	$ 12,262,582	$ 12,132,579	$ 12,666,754	$ 534,175

See accompanying notes to the financial statements.

Lake Local School District
Stark County, Ohio
Statement of Fund Net Position
Proprietary Fund
June 30, 2018

	NonMajor Enterprise Funds
Assets	
Current Assets	
Equity in Pooled Cash and Investments	$ 63,313
Non-Current Assets:	
Depreciable Capital Assets (Net)	23,972
Total Assets	87,285
Deferred Outflow of Resources	
Pension	96,074
OPEB	6,531
Total Deferred Outflow of Resources	102,605
Liabilities	
Current Liabilities	
Accrued Wages and Benefits	74,775
Intergovernmental Payable	13,371
Compensated Absences Payable	13,024
Total Current Liabilities	101,170
Long-Term Liabilities	
Compensated Absences Payable - Net of Current Portion	31,846
Net Pension Liability	562,290
OPEB Liability	257,232
Total Long-Term Liabilities	851,368
Total Liabilities	952,538
Deferred Inflows of Resources	
Pension	22,791
OPEB	30,730
Total Deferred Inflows of Resources	53,521
Net Position	
Net Investment in Capital Assets	23,972
Unrestricted	(840,141)
Total Net Position	$ (816,169)

See accompanying notes to the financial statements.

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2018

	NonMajor Enterprise Funds
Operating Revenues	
Tuition	$ 4,640
Sales	678,258
Total Operating Revenues	682,898
Operating Expenses	
Salaries and Wages	359,478
Fringe Benefits	113,710
Purchased Services	18,589
Materials and Supplies	443,493
Depreciation	11,300
Total Operating Expenses	946,570
Operating Income (Loss)	(263,672)
Non-Operating Revenues (Expenses)	
Grants	281,144
Federal Donated Commodities	78,419
Loss on Disposal of Capital Assets	(11,080)
Total Non-Operating Revenues (Expenses)	348,483
Change in Net Position	84,811
Net Position Beginning of Year - Restated, See Note 2S.	(900,980)
Net Position End of Year	$ (816,169)

See accompanying notes to the financial statements.

Lake Local School District
Stark County, Ohio
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2018

		NonMajor Enterprise Funds
Cash Flows From Operating Activities		
Cash Received from Customers	$	678,258
Cash Received from Tuition Payments		4,640
Other Cash Receipts		904
Cash Paid for Goods and Services		(384,450)
Cash Paid for Employee Benefits		(558,842)
Net Cash Provided By (Used For) Operating Activities		(259,490)
Cash Flows From Non-Capital Financing Activities		
Interfund to Other Funds		(9,991)
Grants Received		281,144
Net Cash Provided By (Used For) Non-Capital Financing Activities		271,153
Net Increase (Decrease) in Cash and Investments		11,663
Cash and Investments, Beginning of Year		51,650
Cash and Investments, End of Year	$	63,313
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities		
Operating Income (Loss)	$	(263,672)
Adjustments:		
Depreciation		11,300
Federal Donated Commodities		78,419
(Increase) Decrease Assets/Deferred Outflows of Resources:		
Accounts Receivable		904
Deferred Outflows - Pension		(6,662)
Deferred Outflows - OPEB		(1,146)
Increase (Decrease) in Liabilities/Deferred Inflows of Resources:		
Accounts Payable		(787)
Accrued Wages and Benefits		(8,476)
Intergovernmental Payable		(1,948)
Compensated Absences Payable		11,836
Net Pension Liability		(105,590)
OPEB Liability		(20,040)
Deferred Inflows - Pension		15,642
Deferred Inflows - OPEB		30,730
Total Adjustments		4,182
Net Cash Provided By (Used For) Operating Activities	$	(259,490)

See accompanying notes to the financial statements.

Lake Local School District
Stark County, Ohio
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2018

		Agency
Assets		
Equity in Pooled Cash and Investments	$	141,200
Accounts Receivable		1,071
Total Assets	$	142,271
Liabilities		
Undistributed Monies	$	48,247
Due to Students		94,024
Total Liabilities	$	142,271

See accompanying notes to the financial statements.

Note 1 - Description of the School District

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

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

Reporting Entity

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

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

The School District participates in a jointly governed organization and two public entity risk pools. These organizations include the Stark/Portage Area Computer Consortium (SPARCC), the Stark County Schools Council of Governments and the Stark County Schools Council of Governments Health Benefit Plan. These organizations are presented in Notes 10 and 18 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.

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

> ***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.

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

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

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

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

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

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

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

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

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding, for pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 12 and 13.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes, grants and entitlements and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 12 and 13).

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

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

E. Cash and Cash Equivalents

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

During fiscal year 2018, investments were limited to STAR Ohio, Federal Farm Credit Bank notes, Federal National Mortgage Association notes, Federal Home Loan Bank notes, Federal Home Loan Mortgage notes, U.S. Treasury Notes, money market and commercial paper. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants.* The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

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

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

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 2018 amounted to $245,652 which includes $47,493 assigned from other School District funds.

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

F. Capital Assets

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

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

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

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

G. Compensated Absences

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

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

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

H. Pensions and Other Postemployment Benefits (OPEB)

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

I. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due.

J. Bond Premiums

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

K. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2018, there was no net position restricted by enabling legislation.

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

L. Fund Balance

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

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

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

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

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

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

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

M. Operating Revenues and Expenses

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

N. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. The proprietary funds received no capital contributions during the current fiscal year. In the government-wide financial statements, capital contributions are recorded as capital grants and contributions. In fiscal year 2018, the governmental activities received no capital contributions from outside sources.

O. Interfund Activity

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

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

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2018.

Q. Estimates

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

R. Budgetary Data

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

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2018.

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

S. Implementation of New Accounting Principles

For the fiscal year ended June 30, 2018, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements,* GASB Statement No. 85, *Omnibus 2017* and GASB Statement No. 86, *Certain Debt Extinguishments.*

GASB Statement No. 75 requires recognition of the entire net postemployment benefits other than pensions (other postemployment benefits or OPEB) liability and a more comprehensive measure of postemployment benefits expense for OPEB provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 75 resulted in the inclusion of net OPEB liability and OPEB expense components on the accrual financial statements. See below for the effect on net position as previously reported.

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, it requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement also requires that a government recognize revenue when the resources become applicable to the reporting period. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the School District.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 86 addresses the reporting and disclosure requirements of certain debt extinguishments including in-substance defeasance transactions and prepaid insurance associated with debt that is extinguished. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the School District.

	Governmental Activites	Business-Type Activities Enterprise
Net Position, June 30, 2017	$ 20,000,792	(629,093)
Adjustments:		
Net OPEB Liability	(10,760,513)	(277,272)
Deferred Outflow-Payments Subsequent to Measurement Date	71,542	5,385
Restated Net Position, July 1, 2017	$ 9,311,821	$ (900,980)

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Note 3 - Fund Deficits

Fund balances at June 30, 2018 included the following individual fund deficits:

	Deficit Fund Balance
Nonmajor Governmental Funds:	
IDEA B	41,787
Title I Fund	44,036
Nonmajor Enterprise Fund:	
Food Service	873,973

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	Bond Retirement Fund	Classroom Facilities Fund	Other Governmental Funds	Total
Restricted for:					
Debt Service	$ 0	$ 1,034,815	$ 0	$ 0	$ 1,034,815
Capital Outlay	0	0	17,545,220	3,122,584	20,667,804
Student Activities	0	0	0	93,449	93,449
Facilities Maintenance	0	0	0	506,504	506,504
Other Purposes	0	0	0	25,483	25,483
Total Restricted	0	1,034,815	17,545,220	3,748,020	22,328,055
Assigned for:					
Public School Support	113,528	0	0	0	113,528
Encumbrances:					
Instruction	19,836	0	0	0	19,836
Support Services	128,559	0	0	0	128,559
Capital Outlay	1,472	0	0	0	1,472
Total Assigned	263,395	0	0	0	263,395
Unassigned	8,814,507	0	0	(85,823)	8,728,684
Total Fund Balance	$ 9,077,902	$ 1,034,815	$ 17,545,220	$ 3,662,197	$ 31,320,134

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

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

GAAP Basis	$ 1,061,616
Net Adjustment for Revenue Accruals	49,385
Net Adjustment for Expenditure Accruals	217,141
Funds Budgeted Elsewhere **	30,143
Adjustment for Encumbrances	(251,368)
Budget Basis	$ 1,106,917

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

Note 6 - Deposits and Investments

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.
Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio);

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time; and,

8. Under limited circumstances, corporate note interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

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.

Investments: Investments are reported at fair value. As of June 30, 2018, the School District had the following investment:

S&P Global Ratings	Investment Type	Measurement Value	Investment Maturities: Less than 1 Year	1 to 3 Years	More than 3 Years	Percent of Total
	NAV:					
	Money Market	2,487,349	2,487,349	0	0	7.42%
AAAm	STAR Ohio	11,631,475	11,631,475	0	0	34.72%
	Fair Value:					
AA+	Federal Farm Credit Bank	839,168	343,737	0	495,431	2.50%
AA+	Federal National Mortgage Associatior	3,799,908	1,992,150	1,568,563	239,195	11.34%
AA+	Federal Home Loan Bank	5,471,363	4,686,648	306,255	478,460	16.33%
AA+	Federal Home Loan Mortgage	3,486,031	2,523,763	650,050	312,218	10.41%
A-1+	Commercial Paper	5,300,882	5,300,882	0	0	15.82%
A-1+	U.S Treasury notes	484,463	0	484,463	0	1.45%
	Total Investments	$33,500,639	$28,966,004	$3,009,331	$1,525,304	100.00%

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District's recurring fair value measurements as of June 30, 2018. The School District's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 inputs).

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

Credit Risk: The School District's investments during fiscal year 2018 included STAR Ohio, Commercial Paper, Fidelity Money Market, U.S. Treasury notes**,** FFCB notes, FNMA notes, FHLB notes and FHLM notes. STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAROhio as of June 30, 2018, is 49 days. The School District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

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

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017 and are collected in 2018 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Stark and Portage Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2018, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	$ 440,878,750	98.40%	$ 450,541,520	98.37%
Public Utility Personal Property	7,178,380	1.60%	7,460,780	1.63%
Total	$ 448,057,130	100.00%	$ 458,002,300	100.00%
Full Tax Rate per $1,000 of assessed valuation	$ 76.90		$ 79.40	

Note 8 - Receivables

Receivables at June 30, 2018, consisted of taxes, accounts (student fees), interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018 as follows:

	Balance 6/30/2017	Additions	Reductions	Balance 6/30/2018
Governmental Activities				
Capital Assets, not being depreciated:				
Land	$ 3,037,257	$ 89,888	$ 0	$ 3,127,145
Construction in Progress	14,936,680	35,328,343	0	50,265,023
Total Capital Assets not being depreciated	17,973,937	35,418,231	0	53,392,168
Capital Assets, being depreciated:				
Land Improvements	851,346	0	0	851,346
Buildings and Improvements	43,758,149	0	(9,500)	43,748,649
Furniture and Equipment	1,996,479	66,353	(647,289)	1,415,543
Vehicles	2,926,616	172,646	(213,220)	2,886,042
Textbooks	770,278	0	(770,278)	0
Total Capital Assets, being depreciated	50,302,868	238,999	(1,640,287)	48,901,580
Less Accumulated Depreciation:				
Land Improvements	(725,874)	(110,745)	0	(836,619)
Buildings and Improvements	(16,695,436)	(1,051,819)	1,128	(17,746,127)
Furniture and Equipment	(1,376,867)	(127,955)	587,629	(917,193)
Vehicles	(2,365,800)	(163,149)	222,502	(2,306,447)
Textbooks	(693,250)	0	693,250	0
Total Accumulated Depreciation	(21,857,227)	(1,453,668)	1,504,509	(21,806,386)
Total Capital Assets being depreciated, net	28,445,641	(1,214,669)	(135,778)	27,095,194
Governmental Activities Capital Assets, Net	$ 46,419,578	$ 34,203,562	$ (135,778)	$ 80,487,362

	Balance 6/30/2017	Additions	Reductions	Balance 6/30/2018
Business-Type Activities				
Capital Assets being depreciated				
Furniture and Equipment	$ 191,387	$ 0	$ (57,131)	$ 134,256
Less Accumulated Depreciation	(145,035)	(11,300)	46,051	(110,284)
Business-Type Activities Capital Assets, Net	$ 46,352	$ (11,300)	$ (11,080)	$ 23,972

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

Governmental Activities:	
Instruction:	
Regular	$ 1,007,472
Special	2,848
Support Services:	
Administration	1,718
Operation and Maintenance of Plant	28,995
Pupil Transportation	173,525
Central	1,512
Operation of Non-Instructional Services	14,852
Extracurricular Activities	222,746
Total Governmental Activities	$ 1,453,668
Business-Type Activities:	
Food Service	$ 11,300

Note 10 - Risk Management

A. Property and Liability

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

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

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

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

B. Workers' Compensation

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

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

C. Health Insurance

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

Note 11 - Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 340 days. Upon retirement, employees receive payment for one-fourth of the total accumulated sick leave, up to a maximum accumulation of 62 days for those employees with ten or more years of service, and 77 days for those employees with twenty or more years of service to the Board of Education. Additionally, at retirement, $10 is paid for each day of sick leave accumulated from 200 to 300 days, and $20 for each day from 301 to 340 days.

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

Note 12 - Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

When a benefit recipient has received benefits for 12 months, an annual COLA is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a three percent simple annual COLA. For those retiring after January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at three percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS allocated 0.5 percent of employer contributions to the Health Care Fund for fiscal year 2018.

The School District's contractually required contribution to SERS was $584,840 for fiscal year 2018. Of this amount, $63,107 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was $2,214,478 for fiscal year 2018. Of this amount, $384,506 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District's employer allocation percentage of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.13444370%	0.13309679%	
Prior Measurement Date	0.13721240%	0.13232469%	
Change in Proportionate Share	-0.00276870%	0.00077210%	
Proportionate Share of the Net Pension Liability	$ 8,032,714	$ 31,617,428	$ 39,650,142
Pension Expense	$ (218,077)	$ (11,944,706)	$ (12,162,783)

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

At June 30, 2018 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 345,701	$ 1,220,915	$ 1,566,616
Net Difference between Projected and Actual Earnings on Pension Plan Investments	0	0	0
Changes of Assumptions	415,377	6,915,079	7,330,456
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	26,550	801,520	828,070
School District Contributions Subsequent to the Measurement Date	584,840	2,214,478	2,799,318
Total Deferred Outflows of Resources	$ 1,372,468	$ 11,151,992	$ 12,524,460

	SERS	STRS	Total
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ 0	$ 254,824	$ 254,824
Net Difference between Projected and Actual Earnings on Pension Plan Investments	38,129	1,043,413	1,081,542
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	287,457	0	287,457
Total Deferred Inflows of Resources	$ 325,586	$ 1,298,237	$ 1,623,823

$2,799,318 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$ 220,488	$ 1,686,403	$ 1,906,891
2020	386,126	3,105,800	3,491,926
2021	42,688	2,248,497	2,291,185
2022	(187,260)	598,577	411,317
	$ 462,042	$ 7,639,277	$ 8,101,319

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.50 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015. The assumed rate of inflation, payroll growth assumption and assumed real wage growth were reduced in the most recent actuarial valuation. The rates of withdrawal, retirement and disability updated to reflect recent experience and mortality rates were also updated.

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

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

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's Proportionate Share of the Net Pension Liability	$ 11,147,320	$ 8,032,714	$ 5,423,597

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments	0.00 percent effective July 1, 2017

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

Actuarial assumptions used in the July 1, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

*The target allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability as of June 30, 2017, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current assumption:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's Proportionate Share of the Net Pension Liability	$ 45,322,507	$ 31,617,428	$ 20,072,953

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

Benefit Term Changes since the Prior Measurement Date
Effective July 1, 2017, the COLA was reduced to zero.

Note 13 - Defined Benefits OPEB Plans

Net OPEB Liability

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

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was $71,634.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $93,295 for fiscal year 2018. Of this amount $73,971 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.13692630%	0.13309679%	
Prior Measurement Date	0.13896533%	0.13232469%	
Change in Proportionate Share	-0.00203903%	0.00077210%	
Proportionate Share of the Net OPEB Liability	$ 3,674,742	$ 5,192,946	$ 8,867,688
OPEB Expense	$ 229,642	$ (1,578,708)	$ (1,349,066)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 0	$ 299,769	$ 299,769
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	0	35,393	35,393
School District Contributions Subsequent to the Measurement Date	93,295	0	93,295
Total Deferred Outflows of Resources	$ 93,295	$ 335,162	$ 428,457
Deferred Inflows of Resources			
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	$ 9,704	$ 221,958	$ 231,662
Changes of Assumptions	348,714	418,309	767,023
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	80,581	0	80,581
Total Deferred Inflows of Resources	$ 438,999	$ 640,267	$ 1,079,266

$93,295 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$ (141,131)	$ (69,348)	$ (210,479)
2020	(141,131)	(69,348)	(210,479)
2021	(117,135)	(69,348)	(186,483)
2022	(11,720)	(69,346)	(81,066)
2023	(9,294)	(13,858)	(23,152)
Thereafter	(18,588)	(13,857)	(32,445)
	$ (438,999)	$ (305,105)	$ (744,104)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate	
Measurement Date	3.63 percent, net of plan investment expense, including price inflation
Prior Measurement Date	2.98 percent, net of plan investment expense, including price inflation
Medical Trend Assumption	
Medicare	5.50 percent - 5.00 percent
Pre-Medicare	7.50 percent - 5.00 percent

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

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

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

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63 percent) and higher (4.63 percent) than the current discount rate (3.63 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5 percent decreasing to 4.0 percent) and higher (8.5 percent decreasing to 6.0 percent) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's Proportionate Share of the Net OPEB Liability	$ 4,437,719	$ 3,674,742	$ 3,070,270

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	$ 2,981,778	$ 3,674,742	$ 4,591,892

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.00 percent effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6.00 percent to 11.00 percent, initial, 4.50 percent ultimate

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

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

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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

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

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

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's Proportionate Share of the Net OPEB Liability	$ 6,971,446	$ 5,192,946	$ 3,787,349

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	$ 3,607,836	$ 5,192,946	$ 7,279,135

Note 14 - Long - Term Obligations

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

	Original Issue Date	Interest Rate	Original Issue Amount	Date of Maturity
General Obligation Bonds:				
School Improvement				
Serial Bonds	2013	2.75%	$ 3,890,000	12/1/28
School Improvement				
Serial and Term	2015	.68% - 4.18%	34,600,000	12/1/51
School Improvement Refunding				
Serial Bonds	2015	1.00% - 4.00%	17,650,000	12/1/26

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

	Restated Outstanding 6/30/2017	Additions	Reductions	Outstanding 6/30/2018	Amounts Due in One Year
Governmental Activities:					
School Improvement Bonds - 2013	$ 3,240,000	$ 0	$ 235,000	$ 3,005,000	$ 240,000
School Improvement Bonds - 2015	34,175,000	0	425,000	33,750,000	450,000
Unamortized Bond Premium	742,589	0	9,235	733,354	0
School Improvement Refunding Bonds - 2015	14,940,000	0	1,305,000	13,635,000	1,330,000
Unamortized Bond Premium	1,129,498	0	98,661	1,030,837	0
Total General Obligation Bonds	54,227,087	0	2,072,896	52,154,191	2,020,000
Net Pension/OPEB Liability:					
Pension	53,667,864	0	14,580,012	39,087,852	0
OPEB	10,760,513	0	2,150,057	8,610,456	0
Total Net Pension Liability	64,428,377	0	16,730,069	47,698,308	0
Compensated Absences	770,856	146,101	151,802	765,155	305,956
Capital Leases	244,517	0	244,517	0	0
Total Governmental Activities Long-Term Liabilities	$119,670,837	$ 146,101	$ 19,199,284	$100,617,654	$ 2,325,956
Business-Type Activities					
Net Pension Liability - SERS	667,880	0	105,590	562,290	0
OPEB Liability - SERS	277,272	0	20,040	257,232	0
Compensated Absences	33,034	11,836	0	44,870	13,024
Total Business-Type Activities Long-Term Liabilities	$ 978,186	$ 11,836	$ 125,630	$ 864,392	$ 13,024

2013 School Facilities Improvement Bonds

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

2015 Unlimited Tax General Obligation Bonds

On August 13, 2015 issued $34,600,000 unlimited tax general obligation bonds. The proceeds of the bonds will be used to build a new elementary school, additions to the current high school and elementary schools and upgrade the athletic field. The bonds were issued for a 36 year period with final maturity at December 1, 2051. These bonds were issued with a premium of $751,824, which was reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight line method which approximates the bonds outstanding method.

2015 School Improvement Refunding Bonds

On March 12, 2015, the School District issued $17,650,000 in general obligation bonds. The proceeds of the bonds were used to refund $18,295,000 of the School District's outstanding 2005 School Improvement Refunding Bonds. The bonds were issued for a 10 year period with final maturity at December 1, 2026. At the date of the refunding, $18,599,917 (including premium and after underwriting fees) was deposited in an irrevocable trust to provide for all future payments on the refunded bonds. These refunding bonds were issued with a premium of $1,334,380, which was reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the bonds outstanding method. The issuance resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of $3,036,317. The issuance resulted in an economic gain of $2,634,092.

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

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2018 are as follows:

Fiscal Year	Serial Bonds	
Ending June 30,	Principal	Interest
2019	$ 2,020,000	$ 1,903,326
2020	2,070,000	1,851,682
2021	2,125,000	1,789,225
2022	2,195,000	1,710,807
2023	2,285,000	1,640,781
2024-2028	10,905,000	6,934,700
2029-2033	3,930,000	5,625,862
2034-2038	4,565,000	4,762,594
2039-2043	5,860,000	3,547,975
2044-2048	7,340,000	2,178,000
2049-2052	7,095,000	582,300
Total	$50,390,000	$32,527,252

Note 15 - Capital Leases

In fiscal year 2017 the School District entered into a lease with Dell Financial services for 1,000 Dell computers. The computers will not be capitalized due to the fact they are under the School District's capitalization threshold of $5,000. Capital lease payments will be reclassified and reflected as debt service expenditures on the fund financial statements for the governmental funds. This lease was paid in full during fiscal year 2018.

Note 16 - Interfund Transactions

Interfund Balances

Interfund balances at June 30, 2018 consisted of a $24,854 payable from the other governmental funds to the general fund. The primary purpose of the interfund balance is to cover costs in the fund where revenues were not received by June 30. This interfund balance will be repaid once the anticipated revenues are received. These advances are expected to be repaid within one year. Interfund loans between governmental activities are eliminated on the statement of net position.

Note 17 - Set-Asides

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

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

	Capital Improvement
Set Aside Restricted Balance June 30, 2017	$ 0
Current Year Set-Aside Requirement	606,089
Current Year Qualifying Expenditures	(551,186)
Current Year Offsets	(379,718)
Total	$ (324,815)
Balance Carried Forward to Fiscal Year 2019	$ 0
Set Aside Balance June 30, 2018	$ 0

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

Note 18- Jointly Governed Organization

The Stark/Portage Area Computer Consortium (SPARCC) is a jointly governed organization comprised of 31 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports SPARCC based upon a per pupil charge dependent upon the software package utilized. The SPARCC assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. SPARCC is governed by a board of directors chosen from the general membership of the SPARCC assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county in which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Stark County Education Services Center, which serves as fiscal agent, located at 6057 Strip Avenue NW, North Canton, Ohio 44720. The School District paid $146,070 to SPARCC for basic services in fiscal year 2018.

Note 19 – 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, 2018, if applicable, cannot be determined at this time.

B. Litigation

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

C. Encumbrance Commitments

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

Fund	Encumbrances
General Fund	$ 150,881
Classroom Facilities Fund	23,629,405
Nonmajor Governmental Funds	744,160
	$ 24,524,446

D. Contractual Commitments

At June 30, 2018, the School District had the following contractual commitments:

	Contractual Commitment	Expended	Balance 6/30/2018
Construction of a New Elementary School, Additions to High School and Elementary School and Upgrades to Athletic Fields	$ 63,628,017	$50,265,023	$13,362,994

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

E. School District Foundation

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

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

	2018	2017	2016	2015	2014
School Employees Retirement System (SERS)					
School District's Proportion of the Net Pension Liability	0.13444370%	0.13721240%	0.13911160%	0.13934900%	0.13934900%
School District's Proportionate Share of the Net Pension Liability	$ 8,032,714	$ 10,042,682	$ 7,937,843	$ 7,052,374	$ 8,286,638
School District's Covered Payroll	$ 4,327,571	$ 5,253,636	$ 4,448,543	$ 4,090,108	$ 4,681,734
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	185.62%	191.16%	178.44%	172.43%	177.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%
State Teachers Retirement System (STRS)					
School District's Proportion of the Net Pension Liability	0.13309679%	0.13232469%	0.12918594%	0.12857556%	0.12857556%
School District's Proportionate Share of the Net Pension Liability	$ 31,617,428	$ 44,293,062	$ 35,703,215	$ 31,274,026	$ 37,253,415
School District's Covered Payroll	$ 14,780,679	$ 14,073,129	$ 12,982,029	$ 14,147,400	$ 13,614,523
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	213.91%	314.74%	275.02%	221.06%	273.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

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

	2018	2017	2016	2015
School Employees Retirement System (SERS)				
Contractually Required Contribution	$ 584,840	$ 605,860	$ 735,509	$ 586,318
Contributions in Relation to the Contractually Required Contribution	(584,840)	(605,860)	(735,509)	(586,318)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School District's Covered Payroll	$ 4,332,148	$ 4,327,571	$ 5,253,636	$ 4,448,543
Pension Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%
State Teachers Retirement System (STRS)				
Contractually Required Contribution	$ 2,214,478	$ 2,069,295	$ 1,970,238	$ 1,817,484
Contributions in Relation to the Contractually Required Contribution	(2,214,478)	(2,069,295)	(1,970,238)	(1,817,484)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School District's Covered Payroll	$ 15,817,700	$ 14,780,679	$ 14,073,129	$ 12,982,029
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

	2014	2013	2012	2011	2010	2009
	$ 566,889	$ 647,952	$ 713,664	$ 591,454	$ 737,822	$ 428,006
	(566,889)	(647,952)	(713,664)	(591,454)	(737,822)	(428,006)
	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	$ 4,090,108	$ 4,681,734	$ 5,306,052	$ 4,705,282	$ 5,449,202	$ 4,349,654
	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%
	$ 1,839,162	$ 1,769,888	$ 1,814,426	$ 1,938,829	$ 2,026,985	$ 1,863,847
	(1,839,162)	(1,769,888)	(1,814,426)	(1,938,829)	(2,026,985)	(1,863,847)
	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	$ 14,147,400	$ 13,614,523	$ 13,957,123	$ 14,914,069	$ 15,592,192	$ 14,337,285
	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information.

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

	2018	2017
School Employees Retirement System (SERS)		
School District's Proportion of the Net OPEB Liability	0.13692630%	0.13896533%
School District's Proportionate Share of the Net OPEB Liability	$ 3,674,742	$ 3,961,026
School District's Covered Payroll	$ 4,327,571	$ 5,253,636
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	84.91%	75.40%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%
State Teachers Retirement System (STRS)		
School District's Proportion of the Net OPEB Liability	0.13309679%	0.13232469%
School District's Proportionate Share of the Net OPEB Liability	$ 5,192,946	$ 7,076,759
School District's Covered Payroll	$ 14,780,679	$ 14,073,129
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	35.13%	50.29%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

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

	2018	2017	2016	2015
School Employees Retirement System (SERS)				
Contractually Required Contribution (1)	$ 93,295	$ 76,927	$ 65,251	$ 106,546
Contributions in Relation to the Contractually Required Contribution	(93,295)	(76,927)	(65,251)	(106,546)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School District's Covered Payroll	$ 4,332,148	$ 4,327,571	$ 5,253,636	$ 4,448,543
OPEB Contributions as a Percentage of Covered Payroll (1)	2.15%	1.78%	1.24%	2.40%
State Teachers Retirement System (STRS)				
Contractually Required Contribution	$ 0	$ 0	$ 0	$ 0
Contributions in Relation to the Contractually Required Contribution	0	0	0	0
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School District's Covered Payroll	$ 15,817,700	$ 14,780,679	$ 14,073,129	$ 12,982,029
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

(1) Includes surcharge

See accompanying notes to the required supplementary information.

2014	**2013**	**2012**	**2011**	**2010**	**2009**
$ 75,294	$ 72,366	$ 94,808	$ 130,471	$ 105,614	$ 239,654
(75,294)	(72,366)	(94,808)	(130,471)	(105,614)	(239,654)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 4,090,108	$ 4,681,734	$ 5,306,052	$ 4,705,282	$ 5,449,202	$ 4,349,654
1.84%	1.55%	1.79%	2.77%	1.94%	5.51%
$ 125,881	$ 142,286	$ 143,305	$ 151,920	$ 152,051	$ 143,373
(125,881)	(142,286)	(143,305)	(151,920)	(152,051)	(143,373)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 14,147,400	$ 13,614,523	$ 13,957,123	$ 14,914,069	$ 15,592,192	$ 14,337,285
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

See accompanying notes to the required supplementary information.

Note 1 - Net Pension Liability

Changes in Assumptions - SERS

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

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00 percent to 3.50 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to the following:
  - RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
- Mortality among service retired members, and beneficiaries was updated to the following:
  - RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates.
- Mortality among disable member was updated to the following:
  - RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

Changes in Benefit Terms - SERS

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

Changes in Assumptions – STRS

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

Changes in Benefit Terms - STRS

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

Note 2 - Net OPEB Liability

Changes in Assumptions – SERS

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

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

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LAKE LOCAL SCHOOL DISTRICT
STARK COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Granter/ *Pass Through Grantor/* **Program Title**	**Pass Through Entity Number**	**Federal CFDA Number**	**Receipts**	**Expenditures**
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education:				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	N/A	10.555	$ 78,419	$ 78,419
Cash Assistance:				
National School Lunch Program	049866-3L60-2018	10.555	275,671	275,671
Total U.S. Department of Agriculture - Child Nutrition Cluster			354,090	354,090
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education:				
Title I, Grants to Local Educational Agencies	049866-3M00-2017	84.010	66,070	43,912
Title I, Grants to Local Educational Agencies	049866-3M00-2018	84.010	182,748	200,360
Total Title I, Grants to Local Educational Agencies			248,818	244,272
Special Education Cluster:				
Special Education-Grants to States, IDEA-B	049866-3M20-2017	84.027	139,363	17,628
Special Education-Grants to States, IDEA-B	049866-3M20-2018	84.027	697,168	699,613
Total Special Education Cluster			836,531	717,241
Improving Teacher Quality State Grants, Title II-A	049866-3Y60-2017	84.367	9,082	-
Improving Teacher Quality State Grants, Title II-A	049866-3Y60-2018	84.367	48,802	53,599
Total Improving Teacher Quality State Grants			57,884	53,599
Title IV-A Student Support and Academic Enrichment	2018	84.424	9,954	9,954
Total Passed Through Ohio Department of Education			1,153,187	1,025,066
Passed Through Plain Local School District:				
Career and Technical Education-Basic Grants to States	N/A	84.048	33,153	33,153
Total U.S. Department of Education			1,186,340	1,058,219
Total Federal Financial Assistance			$1,540,430	$ 1,412,309

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

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of Lake Local School District (the District's) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

The 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 E – 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.

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lake Local School District, Stark County, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 14, 2019, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber
Auditor of State

Columbus, Ohio

March 14, 2019

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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Lake Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Lake Local School District's major federal program for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Lake Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Keith Faber
Auditor of State

Columbus, Ohio

March 14, 2019

LAKE LOCAL SCHOOL DISTRICT
STARK COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR §200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Child Nutrition Cluster, CFDA#10.555
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR §200.520?**	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE
KEITH FABER

LAKE LOCAL SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 28, 2019

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