



Dave Yost • Auditor of State

**LAKEVIEW LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
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TRUMBULL COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Lakeview Local School District
Trumbull County
300 Hillman Drive
Cortland, Ohio 44410

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lakeview Local School District, Trumbull County, Ohio (the District), as of and for the ended June 30, 2017, 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 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 's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lakeview Local School District, Trumbull County, Ohio (the District), as of June 30, 2017, and the respective changes in financial position 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.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 15, 2018

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Lakeview Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

It is a pleasure to present to you the financial picture of Lakeview Local School District (the "School District"). Included in these first few paragraphs and tables is the management's view of how our School District is currently performing. It is intended that this presentation be an objective and easily read analysis of the overall financial condition of our School District. Please consider our comments along with the financial statements and notes to fully understand our School District's finances.

Financial Highlights

- The School District's total net position increased due to an increase in assets from the ongoing construction project for the new school and in increase in deferred outflows of resources related to the net pension liability. This increase was offset by the increase in the net pension liability associated with the School District.
- Capital asset additions during the fiscal year consisted of construction in progress on the new school facility and the capital lease of new buses. Construction of the stadium facility was completed during fiscal year 2017.
- The School District's outstanding long-term obligations consist of the school improvement bonds, unlimited tax general obligation bonds and two capital leases for buses.
- The School District complies with GASB 68, which establishes standards for measuring and recognizing pension liabilities, deferred outflows/inflows of resources and expenses.

Using This Annual Report

This annual report consists of a series of financial statements and notes to those statements. The *Statement of Net Position* and the *Statement of Activities* provide information about the activities of the School District as a whole and present a longer-term view of the School District's finances. Fund financial statements provide the next level of detail. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the School District's operations in more detail than the government-wide statements by providing information about the School District's most significant funds. In the case of Lakeview Local School District, the general fund and the classroom facilities construction capital projects fund are the most significant funds. The remaining statements provide financial information about activities for which the School District acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the School District as a Whole (District-Wide)

Statement of Net Position and the Statement of Activities

The only two reports that display School District-wide finances are the Statement of Net Position and the Statement of Activities. Within these statements, we show the School District divided into two kinds of activities:

- Governmental Activities – All of the School District's instructional activities are reported here. Property Taxes, State and Federal Grants and fees finance the majority of activity in this group.

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- Business-Type Activities – If the Board of Education sets a fee designed to offset the cost of operating a program, then this defines a business-type activity. The School District does not have any of this type of activity.

Analysis of the School District as a whole begins with table 1. While this document contains all of the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions. One of the most important issues when analyzing any business enterprise is “How did we do financially during 2017 and are we better off today than we were one year ago?” The two School District-wide documents try to provide and support the answer to these particular questions. 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 method used by most private-sector companies. The most important aspect of accrual accounting is that it takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid out.

These statements also display the net position of the School District and note any changes that occurred during the year. Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and they tend to be the lead indicator of financial health. This change in net position is important because it tells the reader whether, for the School District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Financial factors to consider may include changes in property tax values, tax levies and renewals or State funding issues before reaching a final conclusion about our School District’s financial status. Non-financial factors may include the School District’s performance, demographic and socioeconomic factors and willingness of the community to support the School District. It could prove helpful in making the analysis to look at the individual fund conditions to show the composition of the changes.

Reporting the School District’s Most Significant Funds

Fund Financial Statements

Analysis of the School District’s major funds begins on page 11. The fund financial statements begin with the balance sheet and provide detailed information about each significant fund in contrast to the previously described School District-wide reporting. Most of the funds are required to be established by State law.

Governmental Funds – Most of the School District’s funds are reported as governmental funds. These reports focus on how resources flow into and out of these funds and the balances left at year-end that are available for spending in future periods. These reports are done on a modified accrual basis. Modified accrual accounting measures cash and all other financial assets that can be readily converted into 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. There are differences between governmental funds (as reported in this section on a modified accrual basis) and governmental activities as reported in the *Statement of Net Position* and the *Statement of Activities*, which are reported on a full accrual basis. These differences are reconciled in the financial statements.

Lakeview Local School District
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Unaudited

The School District as a Whole

Recall that the *Statement of Net Position* provides the perspective of the School District as a whole. Table 1 provides a summary of net position as of June 30, 2017 as compared to June 30, 2016.

(Table 1)
Net Position
Governmental Activities

	2017	2016	Change
Assets			
Current and Other Assets	\$43,875,417	\$48,622,514	(\$4,747,097)
Capital Assets	12,733,188	6,489,456	6,243,732
<i>Total Assets</i>	<u>56,608,605</u>	<u>55,111,970</u>	<u>1,496,635</u>
Deferred Outflows of Resources	<u>4,847,810</u>	<u>2,214,498</u>	<u>2,633,312</u>
Liabilities			
Current Liabilities	3,019,012	3,137,557	118,545
Long-Term Liabilities			
Due within One Year	709,761	675,471	(34,290)
Due in More than One Year:			
Net Pension Liability	27,136,824	23,144,943	(3,991,881)
Other Amounts	25,310,315	25,744,724	434,409
<i>Total Liabilities</i>	<u>56,175,912</u>	<u>52,702,695</u>	<u>(3,473,217)</u>
Deferred Inflows of Resources			
Property Taxes	9,170,728	9,178,609	7,881
Pension	867,014	1,586,399	719,385
<i>Total Deferred Inflows of Resources</i>	<u>10,037,742</u>	<u>10,765,008</u>	<u>727,266</u>
Net Position			
Net Investment in Capital Assets	3,691,970	3,767,064	(75,094)
Restricted for:			
Capital Projects	11,172,514	9,915,646	1,256,868
Debt Service	71,902	0	71,902
Other Purposes	309,721	232,283	77,438
Unrestricted (Deficit)	<u>(20,003,346)</u>	<u>(20,056,228)</u>	<u>52,882</u>
<i>Total Net Position</i>	<u><u>(\$4,757,239)</u></u>	<u><u>(\$6,141,235)</u></u>	<u><u>\$1,383,996</u></u>

The net pension liability (NPL) is the single largest single liability reported by the School District at June 30, 2017 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." 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 the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

GASB 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective:

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

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

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

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

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The School District's property taxes continue to be a major source of assets resulting from the renewals of the 2.15 mill and 3.3 mill emergency levies. Seeking out additional sources of funding in the form of State and Federal grants is also a priority of the School District. Cash and cash equivalents realized a decrease due to expenses exceeding current year revenues. However, there was a large increase in capital assets due to the ongoing construction project for the new school. There was also a significant increase in deferred outflows of resources related to the net pension liability. The net pension liability saw a significant increase which was offset by current year debt payments.

Table 2 shows the changes in net position for fiscal year 2017 compared to 2016.

(Table 2)
Change in Net Position
Governmental Activities

	2017	2016	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$1,213,347	\$1,264,831	(\$51,484)
Operating Grants, Contributions and Interest	1,484,498	1,471,796	12,702
Capital Grants and Contributions	50,616	37,635	12,981
<i>Total Program Revenues</i>	<u>2,748,461</u>	<u>2,774,262</u>	<u>(25,801)</u>
General Revenues			
Property Taxes	9,264,284	8,522,667	741,617
Grants and Entitlements not Restricted	7,480,429	16,922,775	(9,442,346)
Unrestricted Contributions	7,959	23,325	(15,366)
Investment Earnings	272,246	18,449	253,797
Gain on Sale of Capital Assets	0	713	(713)
Miscellaneous	54,773	20,833	33,940
<i>Total General Revenues</i>	<u>17,079,691</u>	<u>25,508,762</u>	<u>(8,429,071)</u>
<i>Total Revenues</i>	<u>19,828,152</u>	<u>28,283,024</u>	<u>(8,454,872)</u>
Program Expenses			
Current:			
Instruction:			
Regular	7,850,190	7,735,320	(114,870)
Special	2,440,669	2,037,316	(403,353)
Student Intervention Services	714	1,006	292

(continued)

Lakeview Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
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(Table 2)
 Change in Net Position
 Governmental Activities (continued)

	2017	2016	Change
Program Expenses			
Support Services:			
Pupils	\$959,728	\$1,011,235	\$51,507
Instructional Staff	484,356	408,973	(75,383)
Board of Education	13,034	13,185	151
Administration	1,525,757	1,541,931	16,174
Fiscal	473,901	437,902	(35,999)
Business	54,098	49,632	(4,466)
Operation and Maintenance of Plant	1,584,564	1,480,200	(104,364)
Pupil Transportation	828,347	854,232	25,885
Central	226,016	191,121	(34,895)
Operation of Non-Instructional Services	2,990	2,743	(247)
Operation of Food Services	569,701	583,477	13,776
Extracurricular Activities	520,091	571,009	50,918
Interest and Fiscal Charges	910,000	642,742	(267,258)
<i>Total Program Expenses</i>	<u>18,444,156</u>	<u>17,562,024</u>	<u>(882,132)</u>
<i>Change in Net Position</i>	1,383,996	10,721,000	(9,337,004)
Net Position Beginning of Year	<u>(6,141,235)</u>	<u>(16,862,235)</u>	<u>10,721,000</u>
<i>Net Position End of Year</i>	<u>(\$4,757,239)</u>	<u>(\$6,141,235)</u>	<u>\$1,383,996</u>

As can be seen from Table 2, the School District relies heavily upon property taxes and State monies to support its operations. The School District also receives additional grant and entitlement funds to help offset operating costs.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. It increases as a result of new construction or collection from a new voted levy. Although school districts experience inflationary growth in expenses, tax revenue does not keep pace with the increased expenses due to House Bill 920. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay less than \$35.00 and the School District would collect the same dollar value the levy generated in the year it passed. The 10 percent rollback on all residential/agricultural property and the 2.5 percent rollback on all owner occupied homes would reduce the amount of taxes paid.

Thus school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 46.72 percent of revenues for governmental activities for Lakeview Local School District in fiscal year 2017 versus 30.13 percent in fiscal year 2016, resulting from a full year of collections on the new levy. The decrease in intergovernmental revenues is due to recognizing a larger percentage of the State's portion of school facilities construction in the prior fiscal year. This can be seen in the decrease in grants and entitlements not restricted.

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
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Revenue is further divided into two major components: program revenues and general revenues. Program revenues are defined as fees, restricted grants, and charges for services that are program specific. General revenues include taxes and unrestricted grants such as State Foundation support.

The School District experienced an increase in interest revenue since there was more available cash for the School District to invest during fiscal year 2017.

Overall expenses increased due to the School District's continuing construction of the new facilities with additional costs associated, the payment of interest on the debt tied to the construction and an increase in the pension expense related to the net pension liability.

Analysis of Overall Financial Positions and Results of Operations

In Table 3 below, the total cost of services column contains all costs related to the programs and the net cost of services column shows how much of the total amount is not covered by program revenues. The net costs are program costs that must be covered by unrestricted State aid (State Foundation) or local taxes.

(Table 3)
 Total and Net Cost of Program Services
 Governmental Activities

	2017		2016	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$10,291,573	\$8,352,721	\$9,773,642	\$7,823,189
Support Services:				
Pupils and Instructional Staff	1,444,084	1,433,085	1,420,208	1,415,483
Board of Education, Administration, Fiscal Services, Business and Central	2,292,806	2,284,828	2,233,771	2,225,840
Operation and Maintenance of Plant	1,584,564	1,515,217	1,480,200	1,433,948
Pupil Transportation	828,347	821,954	854,232	847,263
Food Service Operations and Operation of Non-Instructional Services	572,691	67,139	586,220	55,754
Extracurricular Activities	520,091	310,751	571,009	343,543
Interest and Fiscal Charges	910,000	910,000	642,742	642,742
<i>Total Expenses</i>	<u>\$18,444,156</u>	<u>\$15,695,695</u>	<u>\$17,562,024</u>	<u>\$14,787,762</u>

The School District's dependence upon general revenues for governmental activities is apparent from Table 3. The majority of expenses are supported through taxes and other general revenues.

The School District's Funds

Information about the School District's major funds, the general fund and the classroom facilities construction capital projects fund, starts with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. The general fund balance increased from the School District's Administration ensuring that revenues continue to exceed expenditures, guaranteeing healthy fund balances. The classroom facilities construction fund balance decreased as the School District began spending the bond proceeds for the construction of the new school and additional work to be performed School District-wide.

Lakeview Local School District
Management's Discussion and Analysis
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General Fund Budgetary 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 forecasted budget presented to the Lakeview Local Board of Education in September was amended throughout the year. For the general fund, the School District did not need to make an amendment to the original estimated revenue. The estimated revenue was lower than actual revenues. The change was attributed to an increase in intergovernmental collections from an increase in outside funding sources.

Final budgeted appropriations matched the original budgeted appropriations of the general fund. Actual expenditures were under final budgeted appropriations. This change was the result of careful monitoring and budgeting on the School District's part to keep expenditures down.

Capital Assets

Table 4 shows the ending balances of capital assets in various categories as of June 30, 2017, compared to the balances as of June 30, 2016.

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

	2017	2016
Land	\$513,900	\$513,900
Construction in Progress	6,591,183	1,623,973
Land Improvements	1,527,387	19,056
Buildings and Improvements	3,718,472	3,943,983
Furniture and Fixtures	46,107	52,721
Vehicles	336,139	335,823
Total	\$12,733,188	\$6,489,456

The increase in capital assets was due to the ongoing construction on the new school and facility upgrades and the purchase of new buses offset by an additional year of depreciation. Construction of the stadium facility was completed in fiscal year 2017. For more information about the School District's capital assets, see Note 11 to the basic financial statements.

Lakeview Local School District
Management's Discussion and Analysis
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Long-Term Obligations

Table 5 below summarizes the School District's long-term obligations.

(Table 5)
 Outstanding Long-Term Obligations at June 30
 Governmental Activities

	2017	2016
1998 - School Improvement Refunding Bonds	\$735,000	\$980,000
2015 Unlimited Tax Bonds	23,927,864	24,214,175
Net Pension Liability	27,136,824	23,144,943
Capital Leases	153,657	118,419
Compensated Absences	1,203,555	1,107,601
Total	\$53,156,900	\$49,565,138

The 1998 school improvement refunding bonds mature in fiscal year 2020. The 2015 unlimited tax bonds mature in fiscal year 2053. The capital leases mature in fiscal year 2021. See Notes 12 and 17 to the basic financial statements for additional information on the School District's long-term obligations and leases.

Current Issues

The Lakeview Local School District continues to provide a high level of service to our students, parents and community. The Board of Education and Administration closely monitor revenue and expenditures in accordance with its financial forecast and work diligently to ensure tax dollars are being used efficiently and effectively.

The School District's academic program includes the following attributes, among others:

- The High School offers approximately 60 courses, including several honors courses and approximately 18 College Credit Plus (CCP) courses. Lakeview High School students are able to earn approximately 60 semester hours of college credit without leaving the building. These courses are taught by our own faculty who are also accredited to teach college-level coursework by the Ohio Department of Higher Education.
- CCP is a dual high school/college enrollment program designed to provide both high school and college credit. Over 140 students are enrolled in CCP for the 2016-2017 school year.
- 11 students are attending college full-time while enrolled in the High School.
- Over the past five years, 85 percent of the School District's students proceeded to college, 6 percent went into the military and 6 percent went into apprentice/career tech programs.
- Comprehensive Special Education Services are provided from Pre-K to age 22.
- The School District offers a Pre-K to Kindergarten transition program (the first in the County).
- The School District offers participation in over 40 teams in 18 sports.
- In 2016, Lakeview High School was named by *Newsweek* to be one of the Top 500 High Schools in the Nation (the only school in Trumbull County and one of only two schools in the tri-county area).

Lakeview Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

The School District's Administration strives to continue to be excellent stewards of their residents' investment in the School District by continuing their practice of being prudent and frugal in the use of their resources while also seeking new State and Federal funding.

The voters, on May 5, 2015, approved a 4.55 mill, 37 year bond levy and a related .5 mill permanent improvement levy that is being used to construct a new elementary/middle school to house grades Pre-K to 8, and to abate and demolish the existing Lakeview Elementary and Lakeview Middle School buildings. Construction is continuing on the new Pre-K to 8 building, which is located on the site of the existing Lakeview Middle School, and is expected to be completed by the beginning of the 2018-2019 school year.

Contacting the School District's Financial Management

These financial reports and discussions are designed to provide our students, citizens, taxpayers, and creditors with a complete disclosure of the School District's finances and to demonstrate a high degree of accountability for the public dollars entrusted to us. If you have any questions about this report or need additional financial information, please write Sean Miller, Treasurer, Lakeview Local School District, 300 Hillman Drive, Cortland, Ohio 44410 or call (330) 638-1060 or email Sean.Miller@neomin.org.

Basic Financial Statements

Lakeview Local School District

Statement of Net Position

June 30, 2017

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$28,774,913
Intergovernmental Receivable	5,010,166
Accrued Interest Receivable	125,548
Inventory Held for Resale	32,485
Materials and Supplies Inventory	55,556
Taxes Receivable	9,876,749
Nondepreciable Capital Assets	7,105,083
Depreciable Capital Assets, Net	<u>5,628,105</u>
<i>Total Assets</i>	<u>56,608,605</u>
Deferred Outflows of Resources	
Pension	<u>4,847,810</u>
Liabilities	
Accounts Payable	65,081
Contracts Payable	1,150,705
Accrued Wages Payable	1,066,170
Intergovernmental Payable	404,982
Retainage Payable	123,575
Accrued Interest Payable	155,030
Matured Compensated Absences Payable	36,969
Special Termination Benefits Payable	16,500
Long-Term Liabilities:	
Due Within One Year	709,761
Due In More Than One Year:	
Net Pension Liability (See Note 15)	27,136,824
Other Amounts	<u>25,310,315</u>
<i>Total Liabilities</i>	<u>56,175,912</u>
Deferred Inflows of Resources	
Property Taxes	9,170,728
Pension	<u>867,014</u>
<i>Total Deferred Inflows of Resources</i>	<u>10,037,742</u>
Net Position	
Net Investment in Capital Assets	3,691,970
Restricted for:	
Capital Projects	11,172,514
Debt Service	71,902
Other Purposes	309,721
Unrestricted (Deficit)	<u>(20,003,346)</u>
<i>Total Net Position</i>	<u><u>(\$4,757,239)</u></u>

See accompanying notes to the basic financial statements

Lakeview Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants Contribution and Interest	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$7,850,190	\$600,080	\$52,693	\$0	(\$7,197,417)
Special	2,440,669	135,497	1,150,582	0	(1,154,590)
Student Intervention Services	714	0	0	0	(714)
Support Services:					
Pupils	959,728	0	0	0	(959,728)
Instructional Staff	484,356	0	10,999	0	(473,357)
Board of Education	13,034	0	0	0	(13,034)
Administration	1,525,757	0	0	0	(1,525,757)
Fiscal	473,901	0	2,578	0	(471,323)
Business	54,098	0	0	0	(54,098)
Operation and Maintenance of Plant	1,584,564	18,731	0	50,616	(1,515,217)
Pupil Transportation	828,347	0	6,393	0	(821,954)
Central	226,016	0	5,400	0	(220,616)
Operation of Non-Instructional Services	2,990	244	0	0	(2,746)
Operation of Food Services	569,701	249,455	255,853	0	(64,393)
Extracurricular Activities	520,091	209,340	0	0	(310,751)
Interest and Fiscal Charges	910,000	0	0	0	(910,000)
Totals	\$18,444,156	\$1,213,347	\$1,484,498	\$50,616	(15,695,695)
General Revenues					
Property Taxes Levied for:					
					7,420,081
					79,939
					1,467,623
					296,641
Grants and Entitlements not Restricted					
					7,480,429
					7,959
					272,246
					54,773
					<u>17,079,691</u>
					1,383,996
					<u>(6,141,235)</u>
					<u><u>(\$4,757,239)</u></u>

See accompanying notes to the basic financial statements

Lakeview Local School District

Balance Sheet

Governmental Funds

June 30, 2017

	General	Classroom Facilities Construction	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and				
Cash Equivalents	\$5,034,410	\$22,328,744	\$1,411,759	\$28,774,913
Taxes Receivable	7,966,238	0	1,910,511	9,876,749
Accrued Interest Receivable	0	125,548	0	125,548
Intergovernmental Receivable	195,746	4,725,646	88,774	5,010,166
Inventory Held for Resale	0	0	32,485	32,485
Materials and Supplies Inventory	52,999	0	2,557	55,556
<i>Total Assets</i>	<u>\$13,249,393</u>	<u>\$27,179,938</u>	<u>\$3,446,086</u>	<u>\$43,875,417</u>
Liabilities				
Accounts Payable	\$61,920	\$0	\$3,161	\$65,081
Contracts Payable	0	1,150,705	0	1,150,705
Accrued Wages Payable	1,004,124	0	62,046	1,066,170
Intergovernmental Payable	392,295	0	12,687	404,982
Retainage Payable	0	123,575	0	123,575
Matured Compensated Absences Payable	36,969	0	0	36,969
<i>Total Liabilities</i>	<u>1,495,308</u>	<u>1,274,280</u>	<u>77,894</u>	<u>2,847,482</u>
Deferred Inflows of Resources				
Property Taxes	7,395,031	0	1,775,697	9,170,728
Unavailable Revenue	560,822	4,725,646	190,216	5,476,684
<i>Total Deferred Inflows of Resources</i>	<u>7,955,853</u>	<u>4,725,646</u>	<u>1,965,913</u>	<u>14,647,412</u>
Fund Balances				
Nonspendable	52,999	0	2,557	55,556
Restricted	0	21,180,012	1,405,561	22,585,573
Assigned	625,717	0	0	625,717
Unassigned (Deficit)	3,119,516	0	(5,839)	3,113,677
<i>Total Fund Balances</i>	<u>3,798,232</u>	<u>21,180,012</u>	<u>1,402,279</u>	<u>26,380,523</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$13,249,393</u>	<u>\$27,179,938</u>	<u>\$3,446,086</u>	<u>\$43,875,417</u>

See accompanying notes to the basic financial statements

Lakeview Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2017*

Total Governmental Fund Balances	\$26,380,523
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	12,733,188
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	
Delinquent Property Taxes	678,330
Intergovernmental	4,792,683
Tuition and Fees	5,671
Total	5,476,684
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(155,030)
Special termination benefits payable is not expected to be paid with expendable available financial resources and therefore is not reported in the funds.	(16,500)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
General Obligation Bonds	(24,662,864)
Capital Leases	(153,657)
Compensated Absences	(1,203,555)
Total	(26,020,076)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.	
Deferred Outflows - Pension	4,847,810
Deferred Inflows - Pension	(867,014)
Net Pension Liability	(27,136,824)
Total	(23,156,028)
<i>Net Position of Governmental Activities</i>	<i>(\$4,757,239)</i>

See accompanying notes to the basic financial statements

Lakeview Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	Classroom Facilities Construction	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$7,353,536	\$0	\$1,784,081	\$9,137,617
Intergovernmental	7,848,729	3,528,751	1,136,227	12,513,707
Interest	26,190	244,496	1,596	272,282
Tuition and Fees	729,906	0	0	729,906
Extracurricular Activities	39,248	0	170,092	209,340
Contributions and Donations	7,959	0	17,769	25,728
Charges for Services	244	0	249,455	249,699
Rentals	18,731	0	0	18,731
Miscellaneous	54,200	0	573	54,773
<i>Total Revenues</i>	<u>16,078,743</u>	<u>3,773,247</u>	<u>3,359,793</u>	<u>23,211,783</u>
Expenditures				
Current:				
Instruction:				
Regular	7,493,714	0	51,000	7,544,714
Special	1,650,198	0	661,304	2,311,502
Student Intervention Services	714	0	0	714
Support Services:				
Pupils	917,469	0	0	917,469
Instructional Staff	451,132	0	14,350	465,482
Board of Education	13,034	0	0	13,034
Administration	1,431,399	0	0	1,431,399
Fiscal	429,458	0	26,195	455,653
Business	54,098	0	0	54,098
Operation and Maintenance of Plant	1,549,841	0	0	1,549,841
Pupil Transportation	811,367	0	780	812,147
Central	212,398	0	5,400	217,798
Operation of Non-Instructional Services	2,990	0	0	2,990
Operation of Food Services	0	0	554,300	554,300
Extracurricular Activities	377,761	0	146,243	524,004
Capital Outlay	0	4,916,002	1,256,004	6,172,006
Debt Service:				
Principal Retirement	0	0	565,517	565,517
Interest and Fiscal Charges	0	0	922,769	922,769
<i>Total Expenditures</i>	<u>15,395,573</u>	<u>4,916,002</u>	<u>4,203,862</u>	<u>24,515,437</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>683,170</u>	<u>(1,142,755)</u>	<u>(844,069)</u>	<u>(1,303,654)</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	901	0	0	901
Inception of Capital Lease	0	0	80,755	80,755
Transfers In	0	0	228	228
Transfers Out	(228)	0	0	(228)
<i>Total Other Financing Sources (Uses)</i>	<u>673</u>	<u>0</u>	<u>80,983</u>	<u>81,656</u>
<i>Net Change in Fund Balances</i>	683,843	(1,142,755)	(763,086)	(1,221,998)
<i>Fund Balances Beginning of Year</i>	<u>3,114,389</u>	<u>22,322,767</u>	<u>2,165,365</u>	<u>27,602,521</u>
<i>Fund Balances End of Year</i>	<u>\$3,798,232</u>	<u>\$21,180,012</u>	<u>\$1,402,279</u>	<u>\$26,380,523</u>

See accompanying notes to the basic financial statements

Lakeview Local School District
*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, 2017*

Net Change in Fund Balances - Total Governmental Funds	(\$1,221,998)
<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	
Capital Asset Additions	6,609,343
Current Year Depreciation	<u>(333,611)</u>
Total	6,275,732
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.	
	(32,000)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Delinquent Property Taxes	126,667
Intergovernmental	(3,515,969)
Tuition and Fees	<u>5,671</u>
Total	(3,383,631)
Other financing sources in the governmental funds, such as inception of capital lease, increase long-term liabilities in the statement of net position.	
	(80,755)
Repayment of long-term obligations are expenditures in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.	
	565,517
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	
Accrued Interest	1,458
Amortization of Premium	<u>11,311</u>
Total	12,769
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	(95,954)
Special Termination Benefits	<u>(16,500)</u>
Total	(112,454)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	
	1,292,755
Except for amounts reported deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	
	<u>(1,931,939)</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$1,383,996</u></u>

See accompanying notes to the basic financial statements

Lakeview Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$7,394,855	\$7,394,855	\$7,355,675	(\$39,180)
Intergovernmental	7,702,815	7,702,815	7,837,942	135,127
Interest	8,250	8,250	26,190	17,940
Tuition and Fees	713,000	713,000	674,735	(38,265)
Extracurricular Activities	41,000	41,000	39,248	(1,752)
Contributions and Donations	10,000	10,000	1,440	(8,560)
Charges for Services	100	100	244	144
Rentals	8,600	8,600	18,731	10,131
Miscellaneous	13,312	13,312	44,920	31,608
<i>Total Revenues</i>	<u>15,891,932</u>	<u>15,891,932</u>	<u>15,999,125</u>	<u>107,193</u>
Expenditures				
Current:				
Instruction:				
Regular	7,668,826	7,666,920	7,462,069	204,851
Special	1,726,323	1,726,323	1,537,186	189,137
Student Intervention Services	1,006	1,006	714	292
Support Services:				
Pupils	1,230,026	1,230,026	920,284	309,742
Instructional Staff	491,325	491,325	418,656	72,669
Board of Education	13,185	13,185	13,034	151
Administration	1,459,113	1,459,113	1,459,113	0
Fiscal	434,561	434,561	429,918	4,643
Business	50,177	50,177	50,177	0
Operation and Maintenance of Plant	1,562,296	1,562,296	1,562,210	86
Pupil Transportation	909,149	909,149	834,311	74,838
Central	215,816	217,722	217,722	0
Extracurricular Activities	391,175	391,175	377,376	13,799
<i>Total Expenditures</i>	<u>16,152,978</u>	<u>16,152,978</u>	<u>15,282,770</u>	<u>870,208</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(261,046)</u>	<u>(261,046)</u>	<u>716,355</u>	<u>977,401</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	600	600	901	301
Advances Out	(35,690)	(35,690)	0	35,690
Transfers Out	(249)	(249)	(228)	21
<i>Total Other Financing Sources (Uses)</i>	<u>(35,339)</u>	<u>(35,339)</u>	<u>673</u>	<u>36,012</u>
<i>Net Change in Fund Balance</i>	(296,385)	(296,385)	717,028	1,013,413
<i>Fund Balance Beginning of Year</i>	4,013,271	4,013,271	4,013,271	0
Prior Year Encumbrances Appropriated	135,805	135,805	135,805	0
<i>Fund Balance End of Year</i>	<u>\$3,852,691</u>	<u>\$3,852,691</u>	<u>\$4,866,104</u>	<u>\$1,013,413</u>

See accompanying notes to the basic financial statements

Lakeview Local School District
Statement of Fiduciary Net Position
Agency Funds
June 30, 2017

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$59,573</u>
Liabilities	
Due to Students	<u>\$59,573</u>
See accompanying notes to the basic financial statements	

Lakeview Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 1 - Description of the School District and Reporting Entity

Lakeview Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally elected five-member Board form of government and provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's four instructional/support facilities staffed by 64 classified employees, 114 certificated full and part-time employees, and 9 administrators who provide services to 1,791 students and other community members.

Reporting Entity

A reporting entity is composed 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 Lakeview Local School District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The School District has no component units.

The School District participates in two public entity pools and two jointly governed organizations. These organizations are the Ohio School Boards Association Workers’ Compensation Group Rating Program, the Trumbull County School Employees Insurance Benefits Consortium, the Trumbull Career and Technical Center and the Northeast Ohio Management Information Network. These organizations are presented in Notes 13 and 14 to the basic financial statements.

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 governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District’s accounting policies are described below.

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.

Lakeview Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District however, has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal 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. 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 limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

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 two categories of funds: governmental 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 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 is the operating fund of the School District and is used to account for and report all financial resources except those required to be accounted for and reported 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.

Classroom Facilities Construction Capital Projects Fund The classroom facilities construction capital projects fund accounts for the proceeds of bonds as well as grants restricted for the building and equipping of classroom facilities.

Lakeview Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The other governmental funds of the School District account for grants and other resources, whose use is restricted, committed or assigned to a particular purpose.

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. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student managed activities and OHSAA tournament activities.

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (e.g., revenues and other financing sources) and uses (e.g., 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.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements presented for the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified 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 outflows/inflows 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 sixty days of fiscal year-end.

Lakeview Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 10). 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 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, 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 pension. The deferred outflows of resources related to pension are explained in Note 15.

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, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 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 includes delinquent property taxes and intergovernmental grants. 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 found on page 19. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 15).

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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.

Lakeview Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Pensions

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

Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents". The School District had no investments during the fiscal year or at fiscal year-end.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the classroom facilities construction fund during fiscal year 2017 amounted to \$244,496, which includes \$33,647 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventory consists of expendable supplies held for consumption and donated and purchased food held for resale.

Capital Assets

The School District's only capital assets are general capital assets. 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.

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's capitalization threshold is \$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:

Lakeview Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Description	Governmental Activities Estimated Lives
Land Improvements	20 years
Buildings and Improvements	50 years
Furniture and Fixtures	5 - 30 years
Vehicles	8 years

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. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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 amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees with more than one year of service.

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employee who has accumulated unpaid leave is paid.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and net pension liability 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. Bonds are recognized as a liability on the fund financial statements when due.

Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On the fund financial statements, bond premiums are receipted in the year the bonds are issued. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund.

Lakeview Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Internal Activity

Transfers between governmental activities are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources in the governmental funds. 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.

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 includes the remaining amount that is not restricted or committed. These assigned balances are established by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or by State statute. State statute authorizes the Treasurer to assign fund balances for purchases on order provided such amounts have been lawfully appropriated. The Board of Education assigned fund balance for school support instruction and to cover a gap between estimated revenue and appropriations in the fiscal year 2018 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.

Lakeview Local School District
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For the Fiscal Year Ended June 30, 2017

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.

Net Position

Net position represents the difference between all other elements in a statement of financial position. 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. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, instruction, support services, and extracurricular activities.

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

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.

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 set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Budgetary modifications at this level require a resolution of the Board of Education. Budgetary allocations at the function and object level are made by the Treasurer.

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

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.

Lakeview Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 3 – Fund Balances

Fund balance is 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 the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Classroom Facilities Construction	Other Governmental Funds	Total
<i>Nonspendable</i>				
Materials and Supplies Inventory	\$52,999	\$0	\$2,557	\$55,556
<i>Restricted for</i>				
Athletics and Music	0	0	60,018	60,018
School Maintenance	0	0	143,592	143,592
College Scholarships	0	0	14,837	14,837
Regular Education	0	0	11,747	11,747
Food Service	0	0	26,527	26,527
Debt Service Payments	0	0	509,454	509,454
Capital Improvements	0	21,180,012	639,386	21,819,398
<i>Total Restricted</i>	0	21,180,012	1,405,561	22,585,573
<i>Assigned to</i>				
School Support Instruction	8,702	0	0	8,702
Fiscal Year 2018 Operations	571,747	0	0	571,747
Purchases on Order				
Instruction	24,837	0	0	24,837
Support Services	20,431	0	0	20,431
<i>Total Assigned</i>	625,717	0	0	625,717
<i>Unassigned (Deficit)</i>	3,119,516	0	(5,839)	3,113,677
<i>Total Fund Balances</i>	\$3,798,232	\$21,180,012	\$1,402,279	\$26,380,523

Note 4 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance 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 presented for the general fund is presented 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:

Lakeview Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a restricted, committed or assigned fund balance.
4. Budgetary revenues and expenditures of the uniform school supplies and public school support funds are classified to the general fund for GAAP reporting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$683,843
Net Adjustment for Revenue Accruals	(55,575)
Net Adjustment for Expenditure Accruals	201,262
Perspective Differences:	
Uniform School Supplies	579
Public School Support	(859)
Encumbrances	(112,222)
Budget Basis	\$717,028

Note 5 – Accountability

At June 30, 2017, the title I and the title II-A special revenue funds had a deficit balances of \$1,761 and \$4,078, respectfully. The deficit balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur.

Note 6 - Deposits and Investments

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

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

Inactive deposits are public deposits that the Board 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.

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper notes and bankers' acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year-end, \$11,078,300 of the School District's bank balance of \$28,718,496 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all

Lakeview Local School District
Notes to the Basic Financial Statements
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times shall be at least one hundred five percent of the deposits being secured. Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions can elect to participate in the OPCS and will collateralize at one hundred two percent or a rate set by the Treasurer of State. Financial institutions opting not to participate in OPCS will collateralize using the specific pledge method at one hundred five percent.

Note 7 - Interfund Transfers

The general fund made a transfer of \$228 to the scholarship special revenue fund to help provide funding for fiscal year 2017.

Note 8 – Receivables

Receivables at June 30, 2017, consisted of taxes, accounts 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 year guarantee of federal funds. All receivables, except for delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Ohio Schools Facilities Construction	\$4,725,646
Foundation Adjustments	136,462
Title I Grant	63,245
Bureau of Workers' Compensation Refund	48,168
Part B IDEA Grant	20,598
School Employees Retirement System	6,347
Title II-A Grant	4,931
Medicaid Reimbursement	3,345
Cobra Reimbursement	<u>1,424</u>
<i>Total Governmental Activities</i>	<u><u>\$5,010,166</u></u>

Note 9 - Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2017, if applicable, cannot be determined at this time.

Lakeview Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

School 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. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

Litigation

The School District is a party to various legal proceedings seeking damages. The School District's administration is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

Note 10 - 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 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, 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 semiannually. 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 revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Trumbull County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2017 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 were levied to finance current fiscal year operations are 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 – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Lakeview Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The amount available as an advance at June 30, 2017 was \$22,403 in the general fund, \$379 in the classroom facilities maintenance fund, \$4,185 in the bond retirement fund and \$724 in the permanent improvement fund. The amount available as an advance at June 30, 2016 was \$24,542 in the general fund, \$186 in the classroom facilities maintenance fund, \$2,556 in the bond retirement fund and \$790 in the permanent improvement fund.

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	Amount	Percent	Amount	Percent
Residential/Agricultural and Other Real Estate	\$255,629,250	96.59 %	\$256,125,350	96.18 %
Public Utility Personal	9,028,150	3.41	10,161,520	3.82
Total	\$264,657,400	100.00 %	\$266,286,870	100.00 %
Tax rate per \$1,000 of assessed valuation	\$51.65		\$51.40	

Note 11 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Nondepreciable Capital Assets				
Land	\$513,900	\$0	\$0	\$513,900
Construction in Progress	1,623,973	6,528,588	(1,561,378)	6,591,183
<i>Total Nondepreciable Capital Assets</i>	<u>2,137,873</u>	<u>6,528,588</u>	<u>(1,561,378)</u>	<u>7,105,083</u>
Depreciable Capital Assets				
Land Improvements	1,448,569	1,561,378	0	3,009,947
Buildings and Improvements	10,760,084	0	(100,000)	10,660,084
Furniture and Fixtures	593,430	0	0	593,430
Vehicles	1,183,177	80,755	(52,377)	1,211,555
<i>Total at Historical Cost</i>	<u>13,985,260</u>	<u>1,642,133</u>	<u>(152,377)</u>	<u>15,475,016</u>
Less: Accumulated Depreciation				
Land Improvements	(1,429,513)	(53,047)	0	(1,482,560)
Buildings and Improvements	(6,816,101)	(193,511)	68,000	(6,941,612)
Furniture and Fixtures	(540,709)	(6,614)	0	(547,323)
Vehicles	(847,354)	(80,439)	52,377	(875,416)
<i>Total Accumulated Depreciation</i>	<u>(9,633,677)</u>	<u>(333,611) *</u>	<u>120,377</u>	<u>(9,846,911)</u>
<i>Depreciable Capital Assets, Net of Accumulated Depreciation</i>	<u>4,351,583</u>	<u>1,308,522</u>	<u>(32,000)</u>	<u>5,628,105</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$6,489,456</u>	<u>\$7,837,110</u>	<u>(\$1,593,378)</u>	<u>\$12,733,188</u>

Lakeview Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

* Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$185,049
Support Services	
Administration	292
Operation and Maintenance of Plant	5,548
Pupil Transportation	85,086
Food Service Operations	802
Extracurricular Activities	56,834
Total Depreciation Expense	\$333,611

Note 12 – Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2017 were as follows:

	Principal Outstanding June 30, 2016	Additions	Deductions	Principal Outstanding June 30, 2017	Amount Due in One Year
Governmental Activities					
General Obligation Bonds					
1998 School Improvement Refunding Bonds					
Current Interest Term Bonds - 3.85%	\$980,000	\$0	\$245,000	\$735,000	\$245,000
2015 Unlimited Tax Bonds					
Serial Bonds - 1.00 to 4.00%	8,390,000	0	275,000	8,115,000	285,000
Current Interest Term Bonds - 3.625 to 5.00%	15,425,000	0	0	15,425,000	0
Premium	399,175	0	11,311	387,864	0
<i>Total 2015 Unlimited Tax Bonds</i>	24,214,175	0	286,311	23,927,864	285,000
<i>Total General Obligation Bonds</i>	25,194,175	0	531,311	24,662,864	530,000
Other Long-Term Obligations					
Net Pension Liability:					
SERS	4,078,571	1,006,393	0	5,084,964	0
STRS	19,066,372	2,985,488	0	22,051,860	0
<i>Total Net Pension Liability</i>	23,144,943	3,991,881	0	27,136,824	0
Capital Leases Payable	118,419	80,755	45,517	153,657	44,312
Compensated Absences	1,107,601	223,093	127,139	1,203,555	135,449
<i>Total Other Long-Term Obligations</i>	24,370,963	4,295,729	172,656	28,494,036	179,761
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	\$49,565,138	\$4,295,729	\$703,967	\$53,156,900	\$709,761

In 1998, the School District issued \$4,465,070 in voted general obligation bonds for the purpose of constructing an auditorium, major renovations and an addition at the Bazetta elementary school. The bonds were issued for twenty-two year periods with a final maturity at December 1, 2019.

Lakeview Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

In 2015, the School District issued \$23,815,000 in voted general obligation bonds for the purpose of constructing a new elementary/middle school to replace two existing ones. The bonds were issued for thirty-seven year period with a final maturity at December 1, 2052.

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the general and food service special revenue funds. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the general fund and the food service, title VI-B and title I special revenue funds. See Note 15 for additional information related to the net pension liability. The capital leases are paid from the permanent improvement fund.

The overall debt margin of the School District as of June 30, 2017 was \$200,272 with an unvoted debt margin of \$266,287. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2017 are as follows:

	General Obligation Bonds			
	1998 School Improvement		2015 Unlimited Tax	
	Principal	Interest	Principal	Interest
2018	\$245,000	\$23,581	\$285,000	\$897,625
2019	245,000	14,149	300,000	893,950
2020	245,000	14,149	305,000	889,413
2021	0	0	310,000	884,024
2022	0	0	335,000	877,575
2023 - 2027	0	0	1,855,000	4,239,200
2028 - 2032	0	0	2,380,000	3,853,725
2033 - 2037	0	0	2,990,000	3,354,166
2038 - 2042	0	0	3,595,000	2,747,184
2043 - 2047	0	0	4,460,000	1,846,650
2048 - 2052	0	0	5,490,000	813,000
2053	0	0	1,235,000	24,700
Total	\$735,000	\$51,879	\$23,540,000	\$21,321,212

Note 13 – Public Entity Pools

Insurance Purchasing Pool

Ohio School Boards Association Workers’ Compensation Group Rating Program The School District participates in the Ohio School Boards Association Workers’ Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP’s business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Post President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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Shared Risk Pool

Trumbull County School Employees Insurance Benefits Consortium The School District participates in the Trumbull County School Employees Insurance Benefits Consortium. This is a shared risk pool comprised of sixteen Trumbull County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Consortium. Each member's control over the budgeting and financing of the pool is limited to its voting authority and any representation it may have on the Board of Directors. Consortium revenues are generated from charges for services.

Note 14 - Jointly Governed Organizations

Trumbull Career and Technical Center The Trumbull Career and Technical Center is a distinct political subdivision of the State of Ohio providing vocational needs of the students. The center is operated under the direction of a Board consisting of one representative from each of the nineteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. The Board exercises total control over the operations of the Trumbull Career and Technical Center including budgeting, appropriating, contracting and designating management. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain financial information write to the Trumbull Career and Technical Center, Gary Ghizzoni, who serves as Treasurer, at 528 Educational Highway, Warren, Ohio 44483.

Northeast Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among twenty-nine school districts and two educational service centers in Trumbull and Ashtabula Counties. 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 among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. Lakeview Local School District paid \$100,834 to NEOMIN during fiscal year 2017.

The Governing board consists of ten members: The Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County participating school districts, three superintendents from Trumbull County participating school districts, the fiscal agent (or NEOMIN). The Board exercises total control over the operations of NEOMIN including budgeting, appropriating, contracting and designating management. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 6000 Youngstown Warren Road, Niles, Ohio 44446.

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For the Fiscal Year Ended June 30, 2017

Note 15 - Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

Lakeview Local School District
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	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 years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$304,784 for fiscal year 2017. Of this amount \$16,046 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 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.

Lakeview Local School District
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For the Fiscal Year Ended June 30, 2017

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 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, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$987,971 for fiscal year 2017. Of this amount \$113,007 is reported as an intergovernmental payable.

Lakeview Local School District
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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.07147740%	0.06898838%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.06947550%</u>	<u>0.06587952%</u>	
Change in Proportionate Share	<u>-0.00200190%</u>	<u>-0.00310886%</u>	
Proportionate Share of the Net Pension Liability	\$5,084,964	\$22,051,860	\$27,136,824
Pension Expense	\$499,938	\$1,432,001	\$1,931,939

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$68,584	\$891,001	\$959,585
Changes of assumptions	339,449	0	339,449
Net difference between projected and actual earnings on pension plan investments	419,436	1,830,897	2,250,333
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	5,688	0	5,688
School District contributions subsequent to the measurement date	<u>304,784</u>	<u>987,971</u>	<u>1,292,755</u>
Total Deferred Outflows of Resources	<u>\$1,137,941</u>	<u>\$3,709,869</u>	<u>\$4,847,810</u>
Deferred Inflows of Resources			
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>\$85,891</u>	<u>\$781,123</u>	<u>\$867,014</u>

Lakeview Local School District
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\$1,292,755 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 year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2018	\$178,157	\$230,676	\$408,833
2019	177,854	230,675	408,529
2020	270,684	933,244	1,203,928
2021	120,571	546,180	666,751
Total	\$747,266	\$1,940,775	\$2,688,041

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, compared with June 30, 2015, are presented below:

	June 30, 2016	June 30, 2015
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.50 percent to 18.20 percent 3 percent	4.00 percent to 22.00 percent 3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

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For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

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

The long-term return expectation for the 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 averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

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. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 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 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.

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	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$6,732,177	\$5,084,964	\$3,706,181

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set back two years through age 89 and no set back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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 Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Lakeview Local School District
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Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are excluded. 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, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$29,305,132	\$22,051,860	\$15,933,300

Changes between Measurement Date and Report Date

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's NPL is expected to be significant.

Note 16 - Postemployment Benefits

School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrator and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. 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.

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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 2017, no allocation 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 2017, this amount was \$23,500. 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 2017, the School District's surcharge obligation was \$38,039.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015 were \$38,039, \$37,811 and \$17,735, respectively. The full amount has been contributed for fiscal years 2016 and 2015.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the 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. For the fiscal years ended June 30, 2017, June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care.

Note 17 – Capital Leases

In fiscal years 2016 and 2017, the School District entered into a capital lease for the purchase of school buses. The lease obligation meets the criteria of a capital lease and has been recorded on the government-wide statements. The original amounts capitalized for the capital lease and the book value as of June 30, 2017 follows:

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	Amounts
Asset:	
Vehicles	\$230,985
Less: Accumulated Depreciation	(33,215)
Current Book Value	\$197,770

The following is a schedule of the future long-term minimum lease payments required under the capital lease and present value of the minimum lease payments is as follows:

Year ending June 30,	Capital Lease
2018	\$48,997
2019	48,997
2020	48,997
2021	17,185
Total Minimum Lease Payments	164,176
Less: Amount Representing Interest	(10,519)
Present Value of Minimum Lease Payments	\$153,657

Note 18 - Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. 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 320 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 85 days for classified employees, teachers and administrators. Employees are given three days of personal leave at the beginning of the fiscal year. Upon retirement, all unused personal leave is converted to sick leave.

Life Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance of \$50,000 to all full time employees through the ReliaStar Life Insurance Company.

Retirement Incentives

Per the negotiated agreement, employees who are eligible to retire under STRS or a comparable retirement system shall receive a \$2,500 bonus provided the employee submits a letter of retirement by October 1. The bonus will be reduced to \$2,000 if the employee submits a letter of retirement between October 2 and November 1. The bonus will be reduced to \$1,000 for any employee who submits a letter of retirement after November 1. Employees retiring during the fiscal year 2016 - 2018 agreement will receive a \$15,000 bonus instead of the aforementioned amounts should the employee elect to retire the

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first year in which he or she is eligible under STRS or a comparable retirement system. A limit of twenty percent of the bargaining unit employees during each year of this contract shall be eligible for this bonus. The retirement incentive bonus will be placed in the mutually agreed upon 403(b).

Note 19 - Risk Management

Employee Health Benefits

The School District has contracted with the Trumbull County School Employees Insurance Benefits Consortium to provide employee medical/surgical, dental, and prescription drug benefits. The Trumbull County School Employees Insurance Benefits Consortium is a shared risk pool comprised of sixteen Trumbull County school districts. Rates are set through an annual calculation process. The Lakeview Local School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims. The School District pays medical/surgical/prescription drug premiums of \$1,466.22 for family coverage and \$563.72 for single coverage per employee per month for the PPO Plan #1, and premiums of \$1,316.41 for family coverage and \$505.93 for single coverage per employee per month for the PPO Plan #2. Employees are responsible for 10 percent of the cost. Premiums for dental coverage are \$70.82 monthly for family coverage and \$22.54 monthly for single coverage. Premiums for vision coverage are \$4.36 for family coverage and \$1.65 for single coverage. The plan utilizes a \$10.00 prescription deductible. If the School District were to withdraw from the consortium, there would be no liability because premium levels fund a reserve for subsequent claim payments.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from last year.

Worker's Compensation

For fiscal year 2017, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the 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 Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

Lakeview Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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. During fiscal year 2017, the School District contracted for the following insurance coverage:

Coverage	Amount
Coverage provided by Ohio School Plan	
Building and Contents - replacement cost (\$2,500 deductible)	\$56,559,568
Boiler and Machinery (\$2,500 deductible)	No limit
Automobile Liability (\$1,000 deductible on comprehensive) (\$1,000 deductible on Bus Collision) (\$500 deductible on Other Collision)	3,000,000
Auto Medical Payments - Per occurrence	5,000
General Liability	
Per occurrence (\$0 deductible)	3,000,000
Total per year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from last year.

Note 20 - 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 the end of the fiscal year 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 fiscal year end set aside amount for capital acquisition. Disclosure of this information is required by State statute.

	Capital Improvements
Set-Aside Balance as of June 30, 2016	\$0
Current Year Set-aside Requirement	312,952
Current Year Offsets	(1,506,362)
Total	(\$1,193,410)
Set-aside Balance Carried	
Forward to Future Fiscal Years	\$0
Set-aside Balance as of June 30, 2017	\$0

While the offsets during the fiscal year reduced the capital improvement set-aside amount to below zero, this amount may not be used to reduce the set-aside requirements of future fiscal years.

Lakeview Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 21 – Significant Commitments

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General	\$112,222
Classroom Facilities Construction	25,119,061
Other Governmental Funds	<u>68,443</u>
Total Governmental	<u><u>\$25,299,726</u></u>

Contractual Commitments

As of June 30, 2017, the School District had the following contract balances for various construction projects:

Hammond Construction, Inc. - Construction Services	\$23,573,311
GPD Group Architects - Architect/Engineering Services	938,031
Osborn Engineering - Commissioning Agent Services	<u>60,445</u>
Total	<u><u>\$24,571,787</u></u>

Note 22 – Change in Accounting Principle

For fiscal year 2017, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. These changes were incorporated in the School District's 2017 financial statements; however, the School District had no abatement that met the GASB 77 definition.

The School District also implemented GASB's *Implementation Guide No. 2016-1*. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

Lakeview Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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Required Supplementary Information

Lakeview Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the
Net Pension Liability
School Employees Retirement System of Ohio
*Last Four Fiscal Years (1)**

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.06947550%	0.07147740%	0.07126700%	0.07126700%
School District's Proportionate Share of the Net Pension Liability	\$5,084,964	\$4,078,571	\$3,606,783	\$4,238,020
School District's Covered Payroll	\$2,156,543	\$2,147,147	\$2,031,962	\$1,936,382
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	235.79%	189.95%	177.50%	218.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

Lakeview Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the
Net Pension Liability
State Teachers Retirement System of Ohio
*Last Four Fiscal Years (1) **

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.06587952%	0.06898838%	0.06920340%	0.06920340%
School District's Proportionate Share of the Net Pension Liability	\$22,051,860	\$19,066,372	\$16,832,663	\$20,050,957
School District's Covered Payroll	\$6,924,043	\$7,023,329	\$7,066,138	\$7,620,100
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	318.48%	271.47%	238.22%	263.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

Lakeview Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$304,784	\$301,916	\$282,994	\$281,630
Contributions in Relation to the Contractually Required Contribution	<u>(304,784)</u>	<u>(301,916)</u>	<u>(282,994)</u>	<u>(281,630)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$2,177,029	\$2,156,543	\$2,147,147	\$2,031,962
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%

2013	2012	2011	2010	2009	2008
\$267,995	\$274,390	\$286,404	\$259,797	\$189,922	\$207,698
(267,995)	(274,390)	(286,404)	(259,797)	(189,922)	(207,698)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,936,382	\$2,040,071	\$2,278,476	\$1,918,740	\$1,930,099	\$2,115,055
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

Lakeview Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$987,971	\$969,366	\$983,266	\$918,598
Contributions in Relation to the Contractually Required Contribution	<u>(987,971)</u>	<u>(969,366)</u>	<u>(983,266)</u>	<u>(918,598)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$7,056,936	\$6,924,043	\$7,023,329	\$7,066,138
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$990,613	\$902,393	\$913,614	\$956,144	\$837,818	\$1,073,037
<u>(990,613)</u>	<u>(902,393)</u>	<u>(913,614)</u>	<u>(956,144)</u>	<u>(837,818)</u>	<u>(1,073,037)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$7,620,100	\$6,941,485	\$7,027,800	\$7,354,954	\$6,444,754	\$8,254,131
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Lakeview Local School District, Ohio
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

Changes in Assumptions - SERS

Amounts reported for fiscal year 2017 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Amounts reported for fiscal year 2017 use mortality assumptions with mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

LAKEVIEW LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non Cash Assistance (Food Distribution)				
National School Lunch Program	2017	10.555	\$ 41,322	\$ 41,322
Cash Assistance:				
National School Breakfast Program	2017	10.553	\$ 33,276	\$ 33,276
National School Lunch Program	2017	10.555	<u>177,247</u>	<u>177,247</u>
<i>Total Nutrition Cluster</i>			<u>210,523</u>	<u>210,523</u>
Total U.S. Department of Agriculture			<u>251,845</u>	<u>251,845</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I				
Title I Grants to Local Educational Agencies	2016	84.010	24,245	32,512
Title I Grants to Local Educational Agencies	2017	84.010	<u>319,020</u>	<u>314,043</u>
<i>Total Title I Grants to Local Educational Agencies</i>			<u>343,265</u>	<u>346,555</u>
Special Education Cluster (IDEA)				
Special Education Grants to States	2016	84.027	22,922	35,821
Special Education Grants to States	2017	84.027	<u>340,861</u>	<u>329,098</u>
<i>Total Special Education Grants to States</i>			<u>363,783</u>	<u>364,919</u>
Improving Teacher Quality State Grants Title II, Part A				
Improving Teacher Quality State Grants	2017	84.367	<u>44,172</u>	<u>44,172</u>
Total U.S. Department of Education			<u>751,220</u>	<u>755,646</u>
Total Federal Financial Assistance			<u>\$1,003,065</u>	<u>\$1,007,491</u>

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

**LAKEVIEW LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
2 CFR 200.510(b)(6)
FISCAL YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) includes the federal award activity of Lakeview Local School District's (the District's) under programs of the federal government for the year ended June 30, 2017. 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 or changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - 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 D – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Lakeview Local School District
Trumbull County
300 Hillman Drive
Cortland, Ohio 44410

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lakeview Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2017, 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 15, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

March 15, 2018



Dave Yost • Auditor of State

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

Lakeview Local School District
Trumbull County
300 Hillman Drive
Cortland, Ohio 44410

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Lakeview 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 Lakeview Local School District's major federal program for the year ended June 30, 2017. 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 Lakeview Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affects its major federal program for the year ended June 30, 2017.

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.



Dave Yost
Auditor of State
Columbus, Ohio

March 15, 2018

**LAKEVIEW LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title VI-B (84.027)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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LAKEVIEW LOCAL SCHOOL DISTRICT

TRUMBULL 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 29, 2018