

LAKE LOCAL SCHOOL DISTRICT

WOOD COUNTY

Single Audit

For the Year Ended June 30, 2020





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

We have reviewed the *Independent Auditor's Report* of the Lake Local School District, Wood County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2019 through June 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

February 19, 2021

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LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY
SINGLE AUDIT
For the Year Ending June 30, 2020

TABLE OF CONTENTS

| TITLE | PAGE |
|---|------|
| Independent Auditor's Report..... | 1 |
| Management's Discussion and Analysis..... | 4 |
| Basic Financial Statements: | |
| Government-Wide Financial Statements: | |
| Statement of Net Position - Cash Basis..... | 11 |
| Statement of Activities - Cash Basis..... | 12 |
| Fund Financial Statements: | |
| Statement of Assets and Fund Balances - Cash Basis - Governmental Funds..... | 13 |
| Statement of Receipts, Disbursements, and Changes in Fund Balances - Cash Basis - Governmental Funds..... | 14 |
| Statement of Receipts, Disbursements and Changes in Fund Balance - Budget (Non-GAAP) and Actual - General Fund..... | 15 |
| Statement of Fiduciary Net Position - Cash Basis - Fiduciary Funds..... | 16 |
| Statement of Changes in Fiduciary Net Position - Cash Basis - Fiduciary Funds..... | 17 |
| Notes to the Basic Financial Statements..... | 18 |
| Schedule of Expenditures of Federal Awards | 51 |
| Notes to the Schedule of Expenditures of Federal Awards | 52 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 53 |
| Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance..... | 55 |
| Schedule of Findings | 57 |
| Prepared by Management: | |
| Summary Schedule of Prior Audit Findings..... | 59 |
| Corrective Action Plan..... | 60 |

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Charles E. Harris & Associates, Inc.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lake Local School District, Wood County, Ohio (the District), as of and for the year ended June 30, 2020, 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 the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lake Local School District, Wood County, Ohio, as of June 30, 2020, and the changes in cash basis financial position and the budgetary comparison for the General Fund thereof, for the year then ended in accordance with the cash basis of accounting described in Note 2.

Emphasis of Matter

As discussed in Note 19 to the financial statements, the financial impact of COVID-19 and ensuring emergency measures will impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Basis of Accounting

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

Other Matters

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole that collectively comprise the District's basic financial statements.

The Schedule of Expenditures of Federal Awards (Schedule) is presented for the purpose of 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.

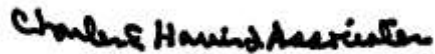
The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to auditing procedures applied in the audit of basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

The management's discussion and analysis on pages 4 – 10, which is the responsibility of management, are presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2020, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
November 11, 2020

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Lake Local School District
Wood County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

The discussion and analysis of the Lake Local School District's (the District) financial performance provides an overall review of the District's financial activities for the year ended June 30, 2020, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2020 are as follows:

Overall:

- For governmental activities in 2020, net position increased \$858,197 from 2019.
- For 2020, general receipts accounted for \$18,036,403 in receipts or 83 percent of all governmental receipts. Program specific receipts in the form of charges for services and sales, grants, contributions and interest accounted for \$3,692,665 or 17 percent of total governmental receipts of \$21,729,068.
- For 2020, the District had \$20,870,871 in disbursements related to governmental activities; only \$3,692,665 of these disbursements were offset by program specific charges for services, grants, contributions or interest. General receipts (primarily property taxes and state funding) of \$18,036,403 were adequate to provide for these programs.
- For 2020, the general fund had \$18,363,423 in operating cash receipts and \$17,646,308 in operating cash disbursements. The General Fund's fund balance increased to \$4,766,990 from \$4,306,120.

Using the Cash Basis Financial Statements

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole District, presenting an aggregate view of the District finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column.

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

Lake Local School District
Wood County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

The statement of net position and the statement of activities reflect how the District did financially during fiscal year 2020, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

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

In the Statement of Net Position and the Statement of Activities, all of the District's activities are presented as governmental activities. All of the District's programs and services are reported here including, instruction, support services, non-instructional services, food services and extracurricular activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 13. Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and the Bond Retirement Fund.

Governmental Funds Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund statements provide a detailed view of the District's general governmental operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance programs.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's fiduciary funds are private purpose trusts and agency funds.

Notes to the Basic Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Lake Local School District
 Wood County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
 (Unaudited)

The District as a Whole

Table 1 provides a summary of the District's net position for fiscal year 2020 compared to fiscal year 2019 on the cash basis:

Table 1

| | Governmental Activities | |
|-------------------------|-------------------------|--------------|
| | 2020 | 2019 |
| Assets | | |
| Cash and investments | \$ 6,765,131 | \$ 5,906,934 |
| Total Assets | 6,765,131 | 5,906,934 |
| Net Position | | |
| Restricted | | |
| Other purposes | 2,107,130 | 1,702,570 |
| Unrestricted | 4,658,001 | 4,204,364 |
| Total Net Position | \$ 6,765,131 | \$ 5,906,934 |

Lake Local School District
Wood County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

Table 2 shows the net changes in net position for 2020 and 2019:

Table 2

| | Governmental Activities | |
|---|-------------------------|------------|
| | 2020 | 2019 |
| Receipts | | |
| Program receipts: | | |
| Charges for services and sales | 2,340,448 | 2,274,149 |
| Operating grants, contributions and interest | 1,268,657 | 1,071,314 |
| Capital grants and contributions | 83,560 | 41,915 |
| General receipts: | | |
| Property taxes | 9,886,678 | 9,715,152 |
| Payments in lieu of taxes | 909,000 | 11,000 |
| Grants and entitlements | 6,985,317 | 7,394,793 |
| Earnings on Investments | 110,018 | 139,472 |
| Sale of capital assets | 10,400 | - |
| Miscellaneous | 134,990 | - |
| Total receipts | 21,729,068 | 20,647,795 |
| Disbursements | | |
| Instruction: | | |
| Regular | 9,055,729 | 8,975,425 |
| Special | 2,820,768 | 2,513,054 |
| Vocational | 96,730 | 76,649 |
| Other | 54,731 | 64,163 |
| Support services: | | |
| Pupil | 896,063 | 664,376 |
| Instructional staff | 629,904 | 535,759 |
| Board of education | 90,377 | 57,809 |
| Administration | 1,200,034 | 1,227,245 |
| Fiscal | 502,843 | 501,436 |
| Operation and maintenance of plant | 2,038,361 | 1,951,073 |
| Pupil transportation | 894,551 | 811,137 |
| Central | 159,506 | 161,479 |
| Operation of non-instructional | 36,742 | 17,161 |
| Food service operations | 548,090 | 654,215 |
| Extracurricular activities | 671,563 | 705,323 |
| Debt service: | | |
| Principal retirement | 1,044,954 | 1,026,699 |
| Interest and fiscal charges | 129,925 | 151,929 |
| Total disbursements | 20,870,871 | 20,094,932 |

Lake Local School District
Wood County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

Governmental Activities

For fiscal year 2020, net position of the District's governmental activities increased by \$858,197. Governmental disbursements of \$20,870,871 were offset by program receipts of \$3,692,665 and general receipts of \$18,036,403.

The primary sources of revenue for governmental activities are derived from property taxes and state support. For fiscal year 2020, these two revenue sources represent 46 percent and 38 percent, respectively, of total governmental receipts.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2020 and 2019. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlement.

Table 3

| | 2020 | | 2019 | |
|------------------------------------|------------------------|------------------------|------------------------|------------------------|
| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| Governmental Activities | | | | |
| Instruction: | | | | |
| Regular | \$ 9,055,729 | \$ (7,364,726) | \$ 8,975,425 | \$ (7,401,544) |
| Special | 2,820,768 | (2,042,401) | 2,513,054 | (1,867,408) |
| Vocational | 96,730 | (96,730) | 76,649 | (76,649) |
| Other | 54,731 | (54,731) | 64,163 | (64,163) |
| Support services: | | | | |
| Pupil | 896,063 | (896,063) | 664,376 | (664,376) |
| Instructional staff | 629,904 | (629,904) | 535,759 | (535,759) |
| Board of education | 90,377 | (90,377) | 57,809 | (57,809) |
| Administration | 1,200,034 | (1,194,634) | 1,227,245 | (1,221,845) |
| Fiscal | 502,843 | (502,843) | 501,436 | (501,436) |
| Operation and maintenance of plant | 2,038,361 | (2,038,361) | 1,951,073 | (1,951,073) |
| Pupil transportation | 894,551 | (886,513) | 811,137 | (806,398) |
| Central | 159,506 | (159,506) | 161,479 | (161,479) |
| Operation of non-instructional | 36,742 | (36,742) | 17,161 | (17,161) |
| Food service operations | 548,090 | 128,463 | 654,215 | (11,353) |
| Extracurricular activities | 671,563 | (221,819) | 705,323 | (232,388) |
| Capital outlay | - | 83,560 | - | 41,915 |
| Debt service: | | | | |
| Principal retirement | 1,044,954 | (1,044,954) | 1,026,699 | (1,026,836) |
| Interest and fiscal charges | 129,925 | (129,925) | 151,929 | (151,792) |
| Total disbursements | <u>\$ 20,870,871</u> | <u>\$ (17,178,206)</u> | <u>\$ 20,094,932</u> | <u>\$ (16,707,554)</u> |

For fiscal year 2020, only 18 percent of general government activities were supported through program receipts. For all governmental activities, general receipts and prior year cash balance support the majority of disbursements as shown in the above table. The community, as a whole, and the state funding are by far the primary supports for the District.

Lake Local School District
Wood County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

The District's Funds

Information about the District's major funds starts on page 13. These funds are accounted for using the cash basis of accounting. For fiscal year 2020, governmental funds had total cash receipts of \$21,729,068 and cash expenditures of \$20,870,871. The net change in fund balance at year end was most significant in the General Fund, where the fund's balance increased by \$460,870.

General Fund Budgeting Highlights

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

During the course of fiscal year 2020, the District amended its General Fund receipt budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

In fiscal year 2020, the General Fund final budget basis receipts were \$18,234,998, the final amended estimate was \$20,273,890. Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$17,864,387, \$370,611 under receipts.

Capital Assets and Debt Administration

Capital Assets

The District capital assets and infrastructure are not reflected in the accompanying financial statements.

Debt

At June 30, 2020, the District had \$4,420,000 in general obligation refunding bonds outstanding and \$155,985 in loans outstanding. These issues were used for improvements to the District's buildings.

Current Financial Related Activities

The Lake Local School District is strong financially. As the preceding information shows, the District heavily depends on its property taxpayers and state support. However, financially the future is not without challenges.

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

Ohio has seen four different funding mechanisms over the last ten years. The current formula has exposed a shortfall of actual funding to formula (called formula cap) of over \$3.6 million in fiscal year 2014 through fiscal year 2020 alone.

Lake Local School District
Wood County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

The District has also seen the decline, and eventual elimination, of the locally collected business tangible personal property (TPP) tax that the state replaced with the commercial activity (CAT) tax. The hold harmless loss provision, originally touted as “in perpetuity” has been changed several times, to the benefit of the state, and now will be completely phased out in 2021. At one time, the TPP represented 31% of the District’s tax base and 12% of its operating income. As a result, local property taxes, through additional levies, have risen 77% over this period. The District works hard to control costs, evidenced by a modest 32% increase in operating costs over that 14-year period, while still maintaining an “Excellent” or similar school rating.

Contacting the District’s Financial Management

This financial report is designed to provide our citizen’s, taxpayers, investors and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions about this report or need additional financial information contact Monica Leppelmeier, Treasurer, at 28090 Lemoyne Road, Millbury, Ohio 43447-9747.

Lake Local School District
Wood County
Statement of Net Position - Cash Basis
June 30, 2020

| | Governmental Activities |
|---------------------------------------|----------------------------|
| Assets | |
| Equity in Pooled Cash and Investments | \$ 6,765,131 |
| <i>Total Assets</i> | 6,765,131 |
| Net Position | |
| Restricted for: | |
| Capital Projects | 348,468 |
| Debt Service | 846,916 |
| Set Asides | 22,919 |
| Bus Purchases | 78,837 |
| Other Purposes | 809,990 |
| Unrestricted | 4,658,001 |
| <i>Total Net Position</i> | \$ 6,765,131 |

See accompanying notes to the basic financial statements

Lake Local School District
Wood County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2020

| | General | Bond Retirement Debt Service | Other Governmental Funds | Total Governmental Funds |
|---------------------------------------|---------------------|---------------------------------|--------------------------------|--------------------------------|
| Assets | | | | |
| Equity in Pooled Cash and Investments | \$ 4,665,234 | \$ 846,916 | \$ 1,151,225 | \$ 6,663,375 |
| Restricted Assets: | | | | |
| Equity in Pooled Cash and Investments | 101,756 | - | - | 101,756 |
| <i>Total Assets</i> | <u>4,766,990</u> | <u>846,916</u> | <u>1,151,225</u> | <u>6,765,131</u> |
| Fund Balances | | | | |
| Restricted | 101,756 | 846,916 | 1,158,458 | 2,107,130 |
| Assigned | 60,359 | - | - | 60,359 |
| Unassigned | 4,604,875 | - | (7,233) | 4,597,642 |
| <i>Total Fund Balances</i> | <u>\$ 4,766,990</u> | <u>\$ 846,916</u> | <u>\$ 1,151,225</u> | <u>\$ 6,765,131</u> |

See accompanying notes to the basic financial statements

**Lake Local School District
Wood County**

*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2020*

| | General | Bond Retirement Debt Service | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|---------------------------------|--------------------------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$ 8,637,988 | \$ 958,750 | \$ 289,940 | \$ 9,886,678 |
| Payments in Lieu of Taxes | 898,000 | - | 11,000 | 909,000 |
| Tuition | 1,560,755 | - | - | 1,560,755 |
| Transportation Fees | 8,038 | - | - | 8,038 |
| Earnings on Investments | 110,018 | - | 9,189 | 119,207 |
| Charges for Services - Food Service | - | - | 247,302 | 247,302 |
| Extracurricular Activities | 134,114 | - | 263,518 | 397,632 |
| Classroom Materials and Fees | 15,954 | - | - | 15,954 |
| Rental Income | 4,000 | - | - | 4,000 |
| Contributions and Donations | 64,259 | - | 86,939 | 151,198 |
| Contract Services | 1,409 | - | 4,160 | 5,569 |
| Other Local Revenue | 134,990 | - | - | 134,990 |
| Intergovernmental - State | 6,793,898 | 191,419 | 278,653 | 7,263,970 |
| Intergovernmental - Federal | - | - | 1,014,375 | 1,014,375 |
| <i>Total Cash Receipts</i> | <u>18,363,423</u> | <u>1,150,169</u> | <u>2,205,076</u> | <u>21,718,668</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 8,958,089 | - | 97,640 | 9,055,729 |
| Special | 2,025,674 | - | 795,094 | 2,820,768 |
| Vocational | 96,730 | - | - | 96,730 |
| Other | 33,743 | - | 20,988 | 54,731 |
| Support Services: | | | | |
| Pupil | 815,762 | - | 80,301 | 896,063 |
| Instructional Staff | 620,121 | - | 9,783 | 629,904 |
| Board of Education | 86,297 | 4,080 | - | 90,377 |
| Administration | 1,185,496 | - | 14,538 | 1,200,034 |
| Fiscal | 489,056 | 10,605 | 3,182 | 502,843 |
| Operation and Maintenance of Plant | 1,899,138 | - | 139,223 | 2,038,361 |
| Pupil Transportation | 797,307 | - | 97,244 | 894,551 |
| Central | 157,865 | - | 1,641 | 159,506 |
| Operation of Non-Instructional Services | 30,820 | - | 5,922 | 36,742 |
| Food Service Operations | - | - | 548,090 | 548,090 |
| Extracurricular Activities | 450,210 | - | 221,353 | 671,563 |
| Debt Service: | | | | |
| Principal Retirement | - | 945,000 | 99,954 | 1,044,954 |
| Interest and Fiscal Charges | - | 122,550 | 7,375 | 129,925 |
| <i>Total Cash Disbursements</i> | <u>17,646,308</u> | <u>1,082,235</u> | <u>2,142,328</u> | <u>20,870,871</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | 717,115 | 67,934 | 62,748 | 847,797 |
| Other Financing Sources (Uses) | | | | |
| Sale of Fixed Assets | - | - | 10,400 | 10,400 |
| Transfers In | - | - | 266,245 | 266,245 |
| Transfers Out | (256,245) | - | (10,000) | (266,245) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(256,245)</u> | <u>-</u> | <u>266,645</u> | <u>10,400</u> |
| Change in Fund Balance | 460,870 | 67,934 | 329,393 | 858,197 |
| <i>Fund Balance, Beginning of Year</i> | <u>4,306,120</u> | <u>778,982</u> | <u>821,832</u> | <u>5,906,934</u> |
| <i>Fund Balance, End of Year</i> | <u>\$ 4,766,990</u> | <u>\$ 846,916</u> | <u>\$ 1,151,225</u> | <u>\$ 6,765,131</u> |

See accompanying notes to the basic financial statements

Lake Local School District
Wood County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
General Fund
For the Fiscal Year Ended June 30, 2020

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| | Original | Final | Actual | |
| Revenues | | | | |
| Property and Other Local Taxes | \$ 8,181,460 | \$ 8,900,093 | \$ 8,637,988 | \$ (262,105) |
| Payments in Lieu of Taxes | 850,540 | 925,248 | 898,000 | (27,248) |
| Tuition | 1,591,500 | 1,865,413 | 1,560,755 | (304,658) |
| Transportation Fees | 5,500 | 9,607 | 8,038 | (1,569) |
| Earnings on Investments | 200,000 | 131,493 | 110,018 | (21,475) |
| Extracurricular Activities | 40,000 | 35,775 | 29,932 | (5,843) |
| Classroom Materials and Fees | 14,000 | 5,062 | 4,235 | (827) |
| Rental Income | 5,000 | 4,781 | 4,000 | (781) |
| Contributions and Donations | - | 61,834 | 51,735 | (10,099) |
| Contract Services | 3,000 | 1,684 | 1,409 | (275) |
| Other Local Revenue | 100,000 | 161,340 | 134,990 | (26,350) |
| Intergovernmental - State | 7,635,000 | 8,120,061 | 6,793,898 | (1,326,163) |
| <i>Total Revenues</i> | <u>18,626,000</u> | <u>20,222,390</u> | <u>18,234,998</u> | <u>(1,987,392)</u> |
| Disbursements | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 8,888,328 | 8,888,328 | 8,863,883 | 24,445 |
| Special | 2,103,855 | 2,103,855 | 2,025,674 | 78,181 |
| Vocational | 97,216 | 97,216 | 96,730 | 486 |
| Other | 33,760 | 33,760 | 33,743 | 17 |
| Support Services: | | | | |
| Pupils | 818,765 | 818,765 | 815,862 | 2,903 |
| Instructional Staff | 640,239 | 640,239 | 631,221 | 9,018 |
| Board of Education | 89,099 | 89,099 | 86,297 | 2,802 |
| Administration | 1,258,539 | 1,258,539 | 1,196,910 | 61,629 |
| Fiscal | 497,530 | 497,530 | 493,989 | 3,541 |
| Operation and Maintenance of Plant | 1,945,830 | 1,945,830 | 1,918,439 | 27,391 |
| Pupil Transportation | 826,852 | 826,852 | 802,999 | 23,853 |
| Central | 162,250 | 162,250 | 157,865 | 4,385 |
| Operation of Non-Instructional | 32,362 | 32,362 | 30,820 | 1,542 |
| Extracurricular Activities | 459,404 | 459,404 | 453,710 | 5,694 |
| <i>Total Disbursements</i> | <u>17,854,029</u> | <u>17,854,029</u> | <u>17,608,142</u> | <u>245,887</u> |
| <i>Excess of Revenues Over (Under) Disbursements</i> | 771,971 | 2,368,361 | 626,856 | (1,741,505) |
| Other Financing Sources (Uses) | | | | |
| Advances In | 4,000 | 4,000 | - | (4,000) |
| Transfers In | 47,500 | 47,500 | - | (47,500) |
| Transfers Out | (450,000) | (450,000) | (256,245) | 193,755 |
| <i>Total Other Financing Sources (Uses)</i> | <u>(398,500)</u> | <u>(398,500)</u> | <u>(256,245)</u> | <u>142,255</u> |
| <i>Change in Fund Balance</i> | 373,471 | 1,969,861 | 370,611 | (1,599,250) |
| <i>Fund Balance, Beginning of Year</i> | 4,197,843 | 4,197,843 | 4,197,843 | - |
| <i>Prior Year Encumbrances Appropriated</i> | <u>46,859</u> | <u>46,859</u> | <u>46,859</u> | <u>-</u> |
| <i>Fund Balance, End of Year</i> | <u>\$ 4,618,173</u> | <u>\$ 6,214,563</u> | <u>\$ 4,615,313</u> | <u>\$ (1,599,250)</u> |

See accompanying notes to the basic financial statements

Lake Local School District
Wood County
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2020

| | Private Purpose Trust | Agency |
|--|--------------------------|-----------|
| Assets | | |
| Equity in pooled cash and cash equivalents | \$ 720,392 | \$ 84,557 |
| Total assets | 720,392 | 84,557 |
| Net Position | | |
| Restricted for: | | |
| Student Activities | - | 84,557 |
| Scholarships | 720,392 | - |
| Total net position | \$ 720,392 | \$ 84,557 |

See accompanying notes to the financial statements.

Lake Local School District
Wood County
Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2020

| | Private Purpose Trust |
|--|--------------------------|
| Additions | |
| Earnings on Investments | \$ 14,483 |
| <i>Total Additions</i> | 14,483 |
| Deductions | |
| Payments in Accordance with Trust Agreements | 22,425 |
| <i>Total Deductions</i> | 22,425 |
| Change in Net Position | (7,942) |
| <i>Net Position, Beginning of Year</i> | 728,334 |
| <i>Net Position, End of Year</i> | \$ 720,392 |

See accompanying notes to the financial statements.

Lake Local School District
Wood County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 1 – Description of the District

The Lake Local School District, Wood County (the District), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and/or federal guidelines.

The District is located in a rural community in northwest Ohio. The District is staffed by 52 classified employees, 130 certified teaching personnel, and 9 administrative employees who provide services to 1,606 students and other community members.

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For Lake Local School District, this includes general operations, food service, and student related activities of the District. The Board has direct responsibility for these services.

Jointly Governed Organizations and Public Entity Risk Pools

The District is associated with eight organizations as follows: Northwest Ohio Computer Association (NWOCA), Northern Buckeye Education Council, Penta Career Center, Northwest Ohio Educational Council and Ohio Schools Council, which are defined as jointly governed organizations; the Ohio Association of School Business Officials Group Rating Program, Wood County Insurance Consortium, and The Ohio Plan, which are public entity risk pools. For more information on these entities, see Notes 15 and 16.

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

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

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

Lake Local School District
Wood County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. The District has no business-type activities.

The statement of net position presents the cash balance of the governmental activities of the District at year end. The statement of activities compares disbursements with program receipts for each of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the general receipts of the District.

Fund Financial Statements

During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the 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 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. The funds of the District are presented in two categories: governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. The following are the District's major governmental funds:

General The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond Retirement This fund receives tax levy funds and transfers from the General fund which are for the purpose of paying debt service on the District's school improvement bonds.

Lake Local School District
Wood County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

The other governmental funds of the District account for and report 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. The District has no pension trust funds or investment trust funds. Private Purpose Trust funds are used to account for individuals, private organizations or other governments and are not available to support the District's own programs. The District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are purely custodial in nature and are used to account for assets held by the District for individuals, other governments, or other organizations. The District's agency fund accounts for various student-managed activities.

Basis of Accounting

Although required by Ohio Administrative Code Section 117-03(B) to prepare its financial report in accordance with generally accepted accounting principles (GAAP), the District elects to prepare its financial statements and notes in accordance with the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the District are described in the appropriate section in this note.

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

Budgetary Process

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

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

Lake Local School District
Wood County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

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

Cash and Investments

To improve cash management, cash received by the District is pooled and invested. Individual fund integrity is maintained through District records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

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

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

The District’s investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year ended June 30, 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Interest earnings are allocated to District funds according to State statutes, grant requirements, debt related restrictions and a resolution by the Board. Interest receipts credited to the general fund during the year ended June 30, 2020 were \$110,018, which included \$44,477 assigned from other District funds.

Restricted Assets

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

Lake Local School District
Wood County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Inventory and Prepaid Items

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

Capital Assets

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

Interfund Receivables/Payables

The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

Accumulated Leave

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

Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

The District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor capital outlay expenditure is reported at inception. Lease payments are reported when paid.

Net Position

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 includes resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursements for specific purposes.

The District's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted resources are available.

Lake Local School District
Wood County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District 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 are 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 Board of Education. Those committed amounts cannot be used for any other purpose unless the Board 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 District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Board or approved by the Treasurer, or by State statute. The Board may also assign fund balances as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget in the general fund.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Lake Local School District
Wood County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Pensions/Other Postemployment Benefits (OPEB)

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

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) and Actual presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is that outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as assigned fund balance (cash basis). In addition, Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, requires in part, that certain funds that are legally budgeted in separate special revenue funds be considered part of the general fund on the cash basis financial statements. For the District, this includes the uniform school supplies and public school support funds.

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

| <u>Net Change in Fund Balance</u> | |
|-----------------------------------|--------------------------|
| Budget Basis | \$ 370,611 |
| Adjustment for GASB 54 | 29,900 |
| Encumbrances | <u>60,359</u> |
| Cash Basis | <u><u>\$ 460,870</u></u> |

Note 4 – Deposits and Investments

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

Active deposits are public deposits determined to be necessary to meet current demands upon the District treasury. Such monies must be maintained either as cash in the 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.

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.

Lake Local School District
Wood County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 4 – Deposits and Investments (continued)

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Bonds and other obligations of the State of Ohio or Ohio local governments, and with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Lake Local School District
Wood County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 4 – Deposits and Investments (continued)

Deposits

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, none of the District's bank balance of \$790,125 was exposed to custodial credit risk.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105% of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

Investments

As of June 30, the District had the following investments:

| | <u>Value</u> | <u>Maturity</u> | <u>Standard & Poor's Rating</u> | <u>Percentage of Total Investments</u> |
|---------------------------|---------------------|-------------------|---|--|
| Net Asset Value Per Share | | | | |
| Star Ohio | \$ 3,700,744 | Average 52.1 days | AAAm | 54% |
| Acquisition Value | | | | |
| CDARS | 600,000 | 2/11/2021 | n/a | 9% |
| CDARS | 600,000 | 4/29/2021 | n/a | 9% |
| CDARS | 600,000 | 8/13/2020 | n/a | 9% |
| CDARS | 600,000 | 10/29/2020 | n/a | 9% |
| CDARS | 679,211 | 3/18/2021 | n/a | 10% |
| Total Investments | <u>\$ 6,779,955</u> | | | |

The District's investments in negotiable certificates of deposit are valued using quoted market prices (Level 1 inputs). STAR Ohio is reported at its net asset value.

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District's investment policy addresses interest rate risk by requiring that the District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Lake Local School District
Wood County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 4 – Deposits and Investments (continued)

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. STAR Ohio carries a rating of AAAm by Standard and Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy dealing with investment credit risk beyond the requirements in state statutes.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, “Payment for investments shall be made only upon the delivery of securities representing such investment to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.”

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

Note 5 - Property Taxes

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

Real property tax receipts received in calendar year 2020 represent the collection of calendar year 2019 taxes. Real property taxes are levied after October 1, 2019, on the assessed value as of January 1, 2019, 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 later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2019 public utility property taxes which became a lien December 31, 2018, are levied after October 1, 2019 and are collected in 2020 with real property taxes.

The full tax rate for all District operations for the fiscal year ended June 30, 2020, was \$62.99 per \$1,000 of assessed value for 2019 and \$62.84 per \$1,000 of assessed value for 2020. The assessed values of real property and public utility property upon which 2020 and 2019 property tax receipts were based are as follows:

| | <u>2020</u> | <u>2019</u> |
|------------------------------|----------------|----------------|
| Real property | | |
| Residential and agricultural | \$ 230,808,990 | \$ 227,231,650 |
| Public utility | 31,335,350 | 27,108,850 |
| Total assessed value | \$ 262,144,340 | \$ 254,340,500 |

Lake Local School District
Wood County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 5 - Property Taxes (continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the District. The County Auditor periodically remits to the District its portion of the taxes collected.

Note 6 – Tax Abatements and Payment in Lieu of Taxes

According to State law, Wood County has entered into agreements with a number of property owners under which the County has granted property tax exemptions to those property owners. The property owners have agreed to make payments to the County which reflect all or a portion of the property taxes which the property owners would have paid if the taxes had not been exempted. One agreement provides for a portion of this payment to be paid to the District. The property owner contractually promises to make this payment in lieu of taxes until the agreement expires. For 2020, the total amount of property taxes abated was \$9,576 and the District received \$909,000 in payments in lieu of taxes.

Note 7 – Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive insurance coverage through The Ohio School Plan, an insurance purchasing plan (see Note 16), for the areas described below:

| | |
|------------------------------|---------------|
| <i>Coverages:</i> | |
| Property Damage | \$ 62,550,000 |
| Educational Liability: | |
| General Aggregate | 8,000,000 |
| Each Occurrence | 6,000,000 |
| Automobile Liability | 6,000,000 |
| School Board Legal Liability | 8,000,000 |
| Employee Benefits: | |
| General Aggregate | 8,000,000 |
| Each Occurrence | 6,000,000 |

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

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

The District is a member of a cooperative group of Wood County Schools established to provide a self-insurance fund to pay medical/surgical, and prescription drug benefits of employees and their covered dependents. The medical insurance program operates under the control of a Board of Trustees representing the member school and is administered by Medical Mutual of Ohio. The plan provides a medical/surgical plan with a \$100 single and \$200 family deductible. The plan also provides prescription drug care through the major medical portion of the plan. Dental care is provided through Medical Mutual of Ohio and vision insurance through Vision Service Plan. For further information regarding the insurance consortium, refer to Note 16.

Lake Local School District
Wood County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 8 – Defined Benefit Pension Plans

Net Pension Liability

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

The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projects 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 other factors. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

Governmental Accounting Board Standard (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, 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.

School Employees Retirement System (SERS)

Plan Description – District non-teaching employees participate in the State Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. SERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position that may be obtained by visiting <https://www.ohsers.org> under Employers/Audit Resources.

Lake Local School District
Wood County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 8 – Defined Benefit Pension Plans (continued)

Age and service requirements for retirement are as follows:

| | Eligible to Retire on or before August 1, 2017 * | Eligible to Retire on or after August 1, 2017 |
|------------------------------|--|--|
| Full Benefits | Any age with 30 years of service credit Age 65 with 5 years of service credit | Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit |
| Actuarially Reduced Benefits | Age 60 with 5 years of service credit Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit |

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

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

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2020, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$270,504 for fiscal year 2020.

State Teachers Retirement System (STRS)

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

Lake Local School District
Wood County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 8 – Defined Benefit Pension Plans (continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 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% of the 14% member rate goes to the DC Plan and the remaining 2% 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 services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2020, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

Lake Local School District
Wood County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 8 – Defined Benefit Pension Plans (continued)

The District’s contractually required contribution to STRS was \$1,070,928 for fiscal year 2020.

Net Pension Liability

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

| | SERS | STRS | Total |
|---|--------------|---------------|---------------|
| Proportion of the Net Pension Liability | | | |
| Prior Measurement Date | 0.05494900% | 0.06276662% | |
| Proportion of the Net Pension Liability | | | |
| Current Measurement Date | 0.05377890% | 0.06197770% | |
| Change in Proportionate Share | -0.00117010% | -0.00078892% | |
| Proportionate Share of the Net | | | |
| Pension Liability | \$ 3,217,686 | \$ 13,705,996 | \$ 16,923,682 |

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.

Lake Local School District
Wood County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 8 – Defined Benefit Pension Plans (continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

| | |
|--|--|
| Wage Inflation | 3% |
| Future Salary Increases, including inflation | 3.50% to 18.20% |
| COLA or Ad Hoc COLA | 2.5% |
| Investment Rate of Return | 7.5% net of investments expense, including inflation |
| Actuarial Cost Method | Entry Age Normal |

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

The most recent experience study was completed June 30, 2015.

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long Term Expected Real Rate of Return</u> |
|------------------------|--------------------------|---|
| Cash | 1.00 % | 0.50 % |
| US equity | 22.50 | 4.75 |
| International equity | 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 | <u>10.00</u> | 3.00 |
| Total | <u>100.00</u> % | |

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment 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.

Lake Local School District
Wood County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 8 – Defined Benefit Pension Plans (continued)

Sensitivity of the 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.

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|--|------------------------|-------------------------------------|------------------------|
| District's proportionate share of the net pension liability | \$ 4,509,128 | \$ 3,217,686 | \$ 2,134,650 |

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|-----------------------------------|--|
| Inflation | 2.50% |
| Projected salary increases | 2.50% at age 65 to 12.50% at age 20 |
| Investment Rate of Return | 7.45%, net of investment expenses, including inflation |
| Cost-of-Living Adjustments (COLA) | 0% effective July 1, 2017 |
| Payroll Increases | 3.00% |

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

Actuarial assumptions used in the June 30, 2019 valuation are based on the results of an actuarial experience study, for the period July 1, 2011 through June 30, 2016.

Lake Local School District
Wood County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 8 – Defined Benefit Pension Plans (continued)

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long Term Expected Real Rate of Return*</u> |
|----------------------|--------------------------|--|
| Domestic equity | 28.00 % | 7.35 % |
| International equity | 23.00 | 7.55 |
| Alternatives | 17.00 | 7.09 |
| Fixed income | 21.00 | 3.00 |
| Real estate | 10.00 | 6.00 |
| Liquidity reserves | <u>1.00</u> | 2.25 |
| Total | <u>100.00 %</u> | |

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

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

| | 1% Decrease | Current | 1% Increase |
|---|----------------|------------------------------|----------------|
| | <u>(6.45%)</u> | <u>Discount Rate (7.45%)</u> | <u>(8.45%)</u> |
| District's proportionate share of the net pension liability | \$ 20,029,786 | \$ 13,705,996 | \$ 8,352,584 |

Lake Local School District
Wood County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 9 - Postemployment Benefits

Net OPEB (Asset)/Liability

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Lake Local School District
Wood County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 9 - Postemployment Benefits (continued)

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 2020, 0 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. 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 2020, the District's surcharge obligation was \$32,698.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$32,698 for fiscal year 2020.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

Lake Local School District
Wood County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 9 - Postemployment Benefits (continued)

Net OPEB Liability (Asset)

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

| | SERS | STRS | Total |
|--|------------------|--------------------|----------------|
| Proportion of the Net OPEB (Asset)/Liability Prior Measurement Date | 0.05553360% | 0.06096126% | |
| Proportion of the Net OPEB (Asset)/Liability Current Measurement Date | 0.05493510% | 0.06197770% | |
| Change in Proportionate Share | -0.00059850% | 0.00101644% | |
| Proportionate Share of the Net OPEB (Asset)/Liability | \$ 1,381,502 | \$ (1,026,499) | \$ 355,003 |

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019, are presented below:

Lake Local School District
Wood County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 9 - Postemployment Benefits (continued)

| | |
|---|--|
| Wage Inflation | 3.00 percent |
| Future Salary Increases, including inflation | 3.50 percent to 18.20 percent |
| Investment Rate of Return | 7.50 percent net of investment expense, including inflation |
| Municipal Bond Index Rate: | |
| Measurement Date | 3.13 percent |
| Prior Measurement Date | 3.62 percent |
| Single Equivalent Interest Rate, net of plan investment expense, including price inflation | |
| Measurement Date | 3.22 percent |
| Prior Measurement Date | 3.70 percent |
| Medical Trend Assumption | |
| Medicare | 5.25 percent to 4.75 percent |
| Pre-Medicare | 7.00 percent to 4.75 percent |

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

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

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

Lake Local School District
Wood County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 9 - Postemployment Benefits (continued)

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|--------------------------|---|
| 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 | <u>10.00</u> | 3.00 |
| Total | <u>100.00</u> % | |

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.50% decreasing to 4.00%) and higher (8.50% decreasing to 6.00%) than the current rate.

| | <u>1% Decrease (2.70%)</u> | <u>Current Discount (3.70%)</u> | <u>1% Increase (4.70%)</u> |
|---|--------------------------------|-------------------------------------|--------------------------------|
| District's proportionate share of the net OPEB liability | \$ 1,676,882 | \$ 1,381,502 | \$ 1,146,641 |

Lake Local School District
Wood County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 9 - Postemployment Benefits (continued)

| | 1% Decrease (6.50% decreasing to 4.00%) | Current Trend Rate (7.50% decreasing to 5.00%) | 1% Increase (8.50% decreasing to 6.00%) |
|---|--|---|--|
| District's proportionate share of the net OPEB liability | \$ 1,106,863 | \$ 1,381,502 | \$ 1,745,882 |

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below:

| | |
|---------------------------------|--|
| Inflation | 2.50 percent |
| Projected salary increases | 12.50 percent at age 20 to 2.50 percent at age 65 |
| Investment Rate of Return | 7.45 percent, net of investment expenses, including inflation |
| Payroll Increases | 3 percent |
| Blended Discount Rate of Return | 4.13 percent |
| Health Care Cost Trends | 4.93 to 9.62 percent initial, 4.00 percent ultimate |

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

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

Assumption Changes Since the Prior Measurement Date - There were no changes in assumptions since the prior measurement date of June 30, 2018.

Benefit Term Changes Since the Prior Measurement Date - There were no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

Lake Local School District
Wood County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 9 - Postemployment Benefits (continued)

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 | 28.00 % | 7.35 % |
| International Equity | 23.00 | 7.55 |
| Alternatives | 17.00 | 7.09 |
| Fixed Income | 21.00 | 3.00 |
| Real Estate | 10.00 | 6.00 |
| Liquidity Reserves | 1.00 | 2.25 |
| Total | 100.00 % | |

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

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2019.

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

| | 1% Decrease | Current | 1% Increase |
|--|--------------|--------------------------|----------------|
| | (6.45%) | Discount Rate (7.45%) | (8.45%) |
| District's proportionate share of the net OPEB asset | \$ (875,913) | \$ (1,026,499) | \$ (1,153,108) |

Lake Local School District
Wood County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 9 - Postemployment Benefits (continued)

| | 1% Decrease (6.50% decreasing to 4.00%) | Current Trend Rate (7.50% decreasing to 5.00%) | 1% Increase (8.50% decreasing to 6.00%) |
|---|---|---|---|
| District's proportionate share of the net OPEB asset | \$ (1,164,003) | \$ (1,026,499) | \$ (858,091) |

Note 10 – Leases

The District leases copiers from Office Products, Inc. The District also leases four school buses from BB Community Leasing Services, Inc. The District disbursed \$30,090 to pay lease costs for the copiers and \$97,045 to pay lease costs for the buses during the year ended June 30, 2020. Following is the schedule of future lease payments, including interest:

| | Year Ending June 30: 2021 | Copier Lease \$ 30,090 | Bus Lease \$ 97,045 |
|-------|---------------------------------|---------------------------|------------------------|
| | 2022 | 5,015 | 97,045 |
| | 2023 | - | 97,045 |
| Total | | \$ 35,105 | \$ 291,135 |

Note 11 –Debt

The District's long-term debt activity for the year ended June 30, 2020 was as follows:

| | Balance at 7/1/2019 | Increase | Decrease | Balance at 6/30/2020 | Due within one year |
|---------------------------------|------------------------|-----------|----------------|-------------------------|------------------------|
| Long-term Obligations | | | | | |
| 2016 Refunding: | | | | | |
| Serial Bonds 1.0-3.0% | \$ 5,365,000 | \$ - | \$ (945,000) | \$ 4,420,000 | \$ 965,000 |
| Premium | 247,517 | - | (39,082) | 208,435 | - |
| State Bank and Trust Loan 3.15% | 255,939 | - | (99,954) | 155,985 | 103,157 |
| Net Pension Liability | | | | | |
| STRS | 13,800,970 | - | (94,974) | 13,705,996 | - |
| SERS | 3,147,031 | 70,655 | - | 3,217,686 | - |
| Net OPEB Liability | | | | | |
| SERS | 1,540,652 | - | (159,150) | 1,381,502 | - |
| Total Long-term Obligations | \$24,357,109 | \$ 70,655 | \$ (1,338,160) | \$23,089,604 | \$ 1,068,157 |

Lake Local School District
Wood County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 11 –Debt (continued)

FY 2007 School Improvement Refunding Bonds

On January 25, 2007, the District issued bonds in the amount of \$9,139,990 to partially refund bonds previously issued in 2001 for construction and renovation to the District’s middle school. The bond issue included serial, term and capital appreciation bonds in the amounts of \$7,380,000, \$1,185,000, and \$574,990 respectively. The bonds were issued at a premium of \$794,111. The bonds were issued for a nineteen year period with final maturity during fiscal year 2025. During October 2016, these bonds were refunded. As of June 30, 2020, \$5,571,800 of these bonds are outstanding.

FY 2016 School Improvement Refunding Bonds

On October 16, 2016, the District issued serial bonds in the amount of \$7,335,000 to refund bonds previously issued in 2007 for construction and renovation to the District’s middle school. The bonds were issued at a premium of \$351,736. The bonds were issued for a nine-year period with final maturity during fiscal year 2025.

State Bank and Trust Loan

On August 16, 2017, the District obtained a loan in the amount of \$400,000 to finance the Lake Middle School Air Conditioning project. The loan was obtained for a four year period, with final maturity in fiscal year 2021.

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2020 are as follows:

| Year Ending | 2016 Refunding Bonds | | | |
|-------------|----------------------|-------------------|---------------------------|-----------------|
| | Serial Bonds | | State Bank and Trust Loan | |
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| June 30: | | | | |
| 2020 | \$ 965,000 | \$ 103,450 | \$ 103,157 | \$ 4,171 |
| 2021 | 985,000 | 83,950 | 52,828 | 837 |
| 2022 | 1,005,000 | 59,025 | - | - |
| 2023 | 1,040,000 | 28,350 | - | - |
| 2024 | 425,000 | 6,375 | - | - |
| Total | <u>\$ 4,420,000</u> | <u>\$ 281,150</u> | <u>\$ 155,985</u> | <u>\$ 5,008</u> |

Lake Local School District
Wood County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 12 - Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the 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:

| | General | Bond Retirement | Other Governmental Funds | Total Governmental Funds |
|---------------------|---------------------|--------------------|--------------------------------|--------------------------------|
| Restricted | | | | |
| Capital Projects | \$ - | \$ - | \$ 348,468 | \$ 348,468 |
| Debt Service | - | 846,916 | - | 846,916 |
| Set Asides | 22,919 | - | - | 22,919 |
| Bus Purchases | 78,837 | - | - | 78,837 |
| Other Purposes | - | - | 809,990 | 809,990 |
| Total Restricted | <u>101,756</u> | <u>846,916</u> | <u>1,158,458</u> | <u>2,107,130</u> |
| Assigned | | | | |
| Encumbrances | <u>60,359</u> | - | - | <u>60,359</u> |
| Total Assigned | <u>60,359</u> | - | - | <u>60,359</u> |
| Unassigned | <u>4,604,875</u> | - | <u>(7,233)</u> | <u>4,597,642</u> |
| Total Fund Balances | <u>\$ 4,766,990</u> | <u>\$ 846,916</u> | <u>\$ 1,151,225</u> | <u>\$ 6,765,131</u> |

Note 13 - Interfund Transactions

The following is a reconciliation of the District's transfers:

| Fund | Transfers In | Transfers Out |
|-----------------------------------|-------------------|-------------------|
| General | \$ - | \$ 256,245 |
| District Managed Student Activity | - | 10,000 |
| Preschool Special Ed | 91,076 | - |
| Gifted Identification Grant | 9,200 | - |
| Title IV | 4,465 | - |
| Title I | 120,257 | - |
| Preschool Federal Grant | 16,033 | - |
| Title II A | 15,214 | - |
| Permanent Improvement | 10,000 | - |
| <i>Total Governmental Funds</i> | <u>\$ 266,245</u> | <u>\$ 266,245</u> |

Transfers are made from the general fund to subsidize operations of other funds. Transfers were in accordance with budgetary authorizations and Ohio Revised Code provisions.

Lake Local School District
Wood County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 14 – Set Aside Requirements

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purpose of the acquisition and construction of capital improvements. Amounts not spent by year-end by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purpose in future years. The following cash basis information identifies the changes in the fund balance reserves for capital improvements and budget stabilization during fiscal year 2020.

| | Capital Improvements | Budget Stabilization Reserve |
|---|-------------------------|------------------------------------|
| Balance July 1, 2019 | \$ - | \$ 22,919 |
| Required Set-Aside | 297,455 | - |
| Qualifying Cash Disbursements | (297,455) | - |
| <i>Totals</i> | - | 22,919 |
| Amount Carried Forward to Future Fiscal Years | - | 22,919 |
| Set Aside Reserve Balance June 30, 2020 | \$ - | \$ 22,919 |

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

Effective April 10, 2001, Senate Bill 345 (SB345) amended Ohio Revised Code Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. SB345 places special restrictions on the use of Bureau of Workers Compensation (BWC) rebate money remaining in the budget stabilization as of April 10, 2001, which is \$22,919 for the District at June 30, 2020.

The District had restricted revenue for the purchase of buses in previous years which is noted in the restricted net position in the Statement of Net Position – Governmental Activities and restricted fund balance. This restricted revenue was not used to meet the amount required to be set aside for capital improvements.

Note 15 – Jointly Governed Organizations

Northwest Ohio Computer Association

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

Lake Local School District
Wood County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 15 – Jointly Governed Organizations (continued)

Northern Buckeye Education Council

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

Total disbursements made by the District to the Northern Buckeye Education Council during the fiscal year were \$92,275. These payments include services for NWOCA. Financial information can be obtained from the Northern Buckeye Educational Council, 209 Nolan Parkway, Archbold, Ohio 43502.

Penta Career Center

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

Ohio Schools Council

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

Note 16 – Insurance Purchasing Pools

Ohio Association of School Business Officials Group Rating Program

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

Lake Local School District
Wood County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 16 – Insurance Purchasing Pool (continued)

Wood County Insurance Consortium

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

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

The Ohio School Plan

The District participates in the Ohio School Plan (the Plan), an insurance purchasing pool established under Ohio Revised Code Section 2744.081. The Plan is an unincorporated nonprofit association of its members which enable the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a Board consisting of superintendents, treasurers, and others from the member school districts. Financial information can be obtained from Hylant Administrative Services, LLC, 811 Madison Avenue, Toledo, Ohio 43624.

Note 17 – Contingent Liabilities

Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2020.

Litigation

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

Lake Local School District
Wood County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 17 – Contingent Liabilities (continued)

Foundation Funding

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 2020 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2020 financial statements is not determinable at this time. Management believes this may result in either an additional receipt to, or an expense of, the District.

Note 18 – Accountability and Compliance

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

Note 19 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. The District's investment portfolio and the investments of the pension and other employee benefit plan in which the District participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

| FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title | Federal CFDA Number | Pass Through Entity Identifying Number | Total Federal Expenditures |
|---|------------------------------------|---|---------------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| Nutrition Cluster | | | |
| <i>Passed Through Ohio Department of Education</i> | | | |
| Cash Assistance: | | | |
| National School Lunch Program | 10.555 | 050690-3L60 | \$ 195,001 |
| School Breakfast Program | 10.553 | 050690-3L70 | 56,984 |
| Summer Food Program | 10.559 | 050690-3GE0 | 31,073 |
| National School Lunch Program - COVID 19 | 10.555 | N/A | 14,531 |
| School Breakfast Program - COVID 19 | 10.553 | N/A | 3,597 |
| Summer Food Program - COVID 19 | 10.559 | N/A | 116,772 |
| Direct Program | | | |
| Non-Cash Assistance | | | |
| National School Lunch Program (Commodities - Note E) | 10.555 | N/A | 34,328 |
| Total Nutrition Cluster | | | <u>452,286</u> |
| Total U.S. Department of Agriculture | | | 452,286 |
| U.S. DEPARTMENT OF EDUCATION | | | |
| <i>Passed Through Ohio Department of Education</i> | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 050690-3M00 | 205,011 |
| Special Education Cluster | | | |
| Special Education - Grants to States (IDEA, Part B) | 84.027 | 050690-3M20 | 320,263 |
| IDEA-6B Restoration | 84.027A | 050690-3M20 | 13,404 |
| Pre-School Restoration | 84.173A | N/A | 2,615 |
| Total Special Education Cluster | | | <u>336,282</u> |
| Title II-A, Impr Teacher Quality | 84.367 | 050690-3Y60 | 44,963 |
| Title IV-A Student Support Academic Enrichment | 84.424 | 050690-3H10 | <u>11,892</u> |
| Total U.S. Department of Education | | | <u>598,148</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 1,050,434</u> |

The accompanying notes are an integral part of this schedule.

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Lake Local School District (the District) under programs of the federal government for the year ended June 30, 2020. 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 the cost principles contained in Uniform Guidance, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

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

NOTE D – CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

Charles E. Harris & Associates, Inc.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lake Local School District, Wood County, (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 11, 2020, wherein we noted that District uses a special purpose framework other than generally accepted accounting principles. We also noted the impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. 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 obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2020-001.

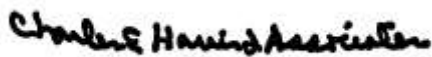
We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 11, 2020.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
November 11, 2020

Charles E. Harris & Associates, Inc.

Certified Public Accountants

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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Lake Local School District, Wood County, Ohio'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 District's major federal program for the year ended June 30, 2020. 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 compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 opinion on compliance for the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the Lake Local School District, Wood County, Ohio complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

We did note a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 11, 2020.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
November 11, 2020

LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020

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)? | Yes |
| <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): | Child Nutrition Cluster: National School Lunch - CFDA# 10.555 Food Commodities - CDFA#10.555 School Breakfast Program - CFDA# 10.553 Summer Food Program and Summer Food Program-COVID 19 - CFDA# 10.559 |
| <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? | No |

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020**

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

FINDING NUMBER 2020-001

Noncompliance

Ohio Rev. Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. Pursuant to Ohio Rev. Code § 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The District did not report the financial activity of the District in accordance with generally accepted accounting principles for fiscal year ending June 30, 2020. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

The Board of Education should review the standards and ensure preparation of its financial statements in accordance with AICPA's Audit and Accounting Guide Audits of State and Local Governments. The Board of Education should ensure the financial statements are prepared in accordance with the Ohio Administrative Code and the Ohio Revised Code. Implementation of these procedures would help ensure accurate and timely financial statements are available to the District's community.

Official's Response:

See Corrective Action Plan.

| |
|---------------------------------------|
| 3. FINDINGS FOR FEDERAL AWARDS |
|---------------------------------------|

None

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR § 200.51 (b)
JUNE 30, 2020**

| FINDING NUMBER | FUNDING SUMMARY | STATUS | ADDITONAL INFORMATION |
|-------------------|--|---------------|--|
| 2019-001 | Noncompliance - Ohio Revised Code § 117.38 – Financial report not in accordance with GAAP | Not corrected | GAAP statements not deemed cost beneficial |

**LAKE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
June 30, 2020**

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|-----------------------|--|------------------------------------|-----------------------------------|
| 2020-001 | GAAP Statements have not been filed since the cost of preparing GAAP Statements outweighs the benefit. It is not anticipated that GAAP Statements will be filed in the future. | N/A | Monica Leppelmeier, Treasurer |

OHIO AUDITOR OF STATE KEITH FABER



LAKE LOCAL SCHOOL DISTRICT

WOOD COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/4/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov