

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

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OFFICE OF THE AUDITOR

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REPORT OF INDEPENDENT ACCOUNTANTS

LaBrae Local School District
Trumbull County
West Market Street
Leavittsburg, Ohio 44430

To the Board of Education:

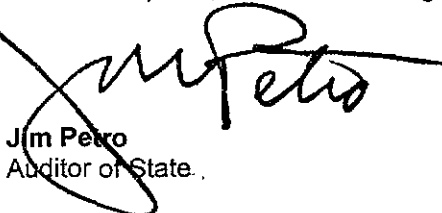
We have audited the accompanying general-purpose financial statements of the LaBrae Local School District, Trumbull County, (the Government) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Government's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the LaBrae Local School District, Trumbull County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 1999 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the Government, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.



Jim Petro
Auditor of State

December 22, 1999

LaBrae Local School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 1999

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types		Account Groups			Totals
	General	Special Revenue	Debt Service	Capital Project	Enterprise	Trust and Agency	General	Fixed Assets	Long Term	1999		
										(Memorandum)	(Only)	
Assets and Other Debits:	\$ 4,448,299	285,502	0	205,874	166,538	136,124	0	0	0	0	\$ 5,242,337	
Equity in Pooled Cash and Investments	46,436	0	0	0	0	0	0	0	0	0	46,436	
Restricted Assets	4,382,665	0	0	319,163	0	0	0	0	0	0	4,701,828	
Taxes Receivables	98,306	0	0	0	0	0	0	0	0	0	98,306	
Interest Receivables	192,317	0	0	0	0	0	0	0	0	0	192,317	
Interfund Receivables	0	0	0	0	0	7,733	0	0	0	0	7,733	
Due from Other Funds	7,154	126,043	0	0	0	0	0	0	0	0	133,197	
Intergovernmental Receivables	76,143	0	0	0	79	344	0	0	0	0	76,566	
Accounts Receivable	8,587	0	0	0	2,076	0	0	0	0	0	10,663	
Inventory	0	0	0	0	12,092	0	0	0	0	0	12,092	
Inventory for Resale	0	0	0	0	417,228	0	10,589,582	0	0	0	11,006,810	
Property, Plant, and Equipment	0	0	0	0	(187,862)	0	0	0	0	0	(187,862)	
Accumulated Depreciation, Where Applicable	0	0	0	0	0	0	0	0	0	0	0	
Amount Available in Debt Service Fund	0	0	0	0	0	0	0	0	0	0	0	
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	0	0	0	0	0	
Total Assets and Other Debits	\$ 9,259,907	411,545	0	525,037	410,151	144,201	10,589,582	855,277	\$ 22,195,700			

(Continued)

LaBrae Local School District
 Combined Balance Sheet
 All Fund Types and Account Groups, Continued
 June 30, 1999

	Governmental Fund Types						Proprietary Fund Type		Fiduciary Fund Type			Account Groups		Totals 1999 (Memorandum) (Only)
	General	Special Revenue	Debt Service	Capital Project	Enterprise	Trust and Agency	General	Long Term	Fixed Assets	General	Long Term			
												General	Long Term	
Liabilities:														
Interfund Payables	\$ 0	192,317	0	0	0	0	0	0	0	0	0	0	0	\$ 192,317
Due to Other Funds	6,964	562	0	0	207	0	0	0	0	0	0	0	0	7,733
Intergovernmental Payables	143,116	10,599	0	0	16,550	119,369	0	0	0	40,764	0	0	0	330,398
Accounts Payable	220,082	25,455	0	8,893	7,235	55	0	0	0	0	0	0	0	261,720
Accrued Salaries and Benefits	887,223	69,176	0	0	26,752	0	0	0	0	0	0	0	0	983,151
Deferred Revenue	4,370,994	0	0	319,163	9,329	0	0	0	0	0	0	0	0	4,699,486
Due to Others	0	0	0	0	0	21,937	0	0	0	0	0	0	0	21,937
General Obligation Notes Payable	0	0	0	0	0	0	0	0	0	120,351	0	0	0	120,351
Compensated Absences Payable	24,072	0	0	0	8,760	0	0	0	0	694,162	0	0	0	726,994
Total Liabilities	5,652,451	298,109	0	328,056	68,833	141,361	0	0	0	855,277	0	0	0	7,344,087
Fund Equity and Other Credits:														
Investment in General Fixed Assets	0	0	0	0	0	0	0	10,589,582	0	0	0	0	0	10,589,582
Contributed Capital	0	0	0	0	99,441	0	0	0	0	0	0	0	0	99,441
Retained Earnings	0	0	0	0	241,877	0	0	0	0	0	0	0	0	241,877
Fund Balances:														
Reserved for Supply Inventory	8,587	0	0	0	0	0	0	0	0	0	0	0	0	8,587
Reserved for Encumbrances	298,627	4,198	0	7,464	0	0	0	0	0	0	0	0	0	310,289
Reserved for HB 412	46,436	0	0	0	0	0	0	0	0	0	0	0	0	46,436
Reserved for Future Appropriation	11,671	0	0	0	0	0	0	0	0	0	0	0	0	11,671
Unreserved Fund Balance	3,242,135	109,238	0	189,517	0	2,840	0	0	0	0	0	0	0	3,543,730
Total Fund Balances	3,607,456	113,436	0	196,981	0	2,840	0	0	0	0	0	0	0	3,920,713
Total Fund Balances/Retained Earnings and Other Credits	3,607,456	113,436	0	196,981	341,318	2,840	0	10,589,582	0	0	0	0	0	14,851,613
Total Liabilities, Fund Equity, and Other Credits	\$ 9,259,907	411,545	0	525,037	410,151	144,201	0	10,589,582	855,277	\$	22,195,700			

See Accompanying Notes to the General Purpose Financial Statements.

LaBrae Local School District
Combined Statement of Revenue, Expenditures, and Changes in Fund Balance
All Governmental Fund Types and Expendable Trust Funds
Year Ended June 30, 1999

	Governmental Fund Types				Fiduciary	Totals
	General	Special Revenue	Debt Service	Capital Projects	Fund Types Expendable Trust	(Memorandum) (Only)
REVENUES:						
Revenue from Local Sources						
Taxes	\$ 3,350,898	0	18,515	285,699	0	\$ 3,655,112
Tuition	80,275	0	0	0	0	80,275
Earnings on Investments	321,151	0	0	0	0	321,151
Extracurricular Activities	0	116,130	0	0	0	116,130
Classroom Materials & Fees	11,930	4,813	0	0	0	16,743
Miscellaneous	17,552	15,878	0	0	451	33,881
Revenue from State Sources						
Unrestricted Grants-in-Aid	5,148,699	66,134	0	25,491	0	5,240,324
Restricted Grants-in-Aid	85,503	38,949	0	52,034	0	176,486
Revenue for/on Behalf of District	139,030	0	0	0	0	139,030
Revenue from Federal Sources						
Unrestricted Grants-in-Aid	23,086	0	0	0	0	23,086
Restricted Grants-in-Aid	0	551,586	0	0	0	551,586
Total Revenue	9,178,124	793,490	18,515	363,224	451	10,353,804
EXPENDITURES:						
Current:						
Instruction						
Regular Instruction	3,911,982	97,164	0	102,735	0	4,111,881
Special Instruction	636,871	445,876	0	0	0	1,082,747
Vocational Instruction	154,783	0	0	0	0	154,783
Adult/Continuing Instruction	360	7,376	0	0	0	7,736
Other Instruction	321,394	0	0	0	0	321,394
Supporting Services						
Supporting Services-Pupils	391,440	11,441	0	0	0	402,881
Supporting Services-Instructional Staff	120,944	100,543	0	0	0	221,487
Supporting Services-Board of Education	29,758	0	0	0	0	29,758
Supporting Services-Administration	1,094,394	114,692	0	0	0	1,209,086
Fiscal Services	202,195	9,670	0	4,783	0	216,648
Operation & Maintenance-Plant	1,245,865	0	0	0	0	1,245,865
Supporting Services-Pupil Transportation	484,272	0	0	0	0	484,272
Supporting Services-Central	45,384	5,000	0	0	0	50,384
Operation of Non-Instructional Services						
Food Service Operations	15,000	0	0	0	0	15,000
Community Services	500	0	0	0	731	1,231
Extracurricular Activities						
Academic & Subject Oriented	16,343	0	0	0	0	16,343
Sports Oriented	153,905	47,155	0	0	0	201,060
Co-Curricular Activities	1,187	16,867	0	0	0	18,054
Capital Outlay						
Site Improvement	39,414	0	0	231,315	0	270,729
Architecture & Engineering	0	0	0	97,493	0	97,493
Building Improvement	349,981	0	0	390,620	0	740,601
Debt Service						
Repayment of Debt	0	0	18,515	0	0	18,515
Total Expenditures	9,215,972	855,784	18,515	826,946	731	10,917,948
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	(37,848)	(62,294)	0	(463,722)	(280)	(564,144)
Other Financing Sources and Uses:						
Other Financing Sources						
Sale & Loss of Assets	751	0	0	0	0	751
Refund of Prior Years Expenditures	157,877	0	0	0	0	157,877
Net Other Financing Sources and Uses	158,628	0	0	0	0	158,628
Excess (Deficiency) of Revenue Receipts and Other Sources Over (Under) Expenditure						
Disbursement and Other Uses	120,780	(62,294)	0	(463,722)	(280)	(405,516)
Increase (Decrease) Inventory	(1,047)	0	0	0	0	(1,047)
Beginning Fund Balance	3,487,723	175,730	0	660,703	3,120	4,327,276
Ending Fund Balance	\$ 3,607,456	113,436	0	196,981	2,840	\$ 3,920,713

See Accompanying Notes to the General Purpose Financial Statements.

LaBrae Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Expendable Trust Funds
Year Ended June 30, 1999

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance	Revised Budget	Actual	Variance
			Favorable (Unfavorable)			Favorable (Unfavorable)
Revenues:						
Taxes	\$ 3,399,227	3,399,227	0	0	0	\$ 0
Tuition	80,275	80,275	0	0	0	0
Earnings on Investment	222,838	222,838	0	0	0	0
Extracurricular Activities	0	0	0	116,438	116,438	0
Classroom Materials & Fees	11,872	11,872	0	4,813	4,813	0
Miscellaneous	17,579	17,579	0	15,983	15,983	0
State Unrestricted Grants-in-Aid	5,148,699	5,148,699	0	66,134	66,134	0
State Restricted Grants-in-Aid	87,503	87,503	0	38,949	38,949	0
State Revenue for/on Behalf of District	139,030	139,030	0	0	0	0
Federal Unrestricted Grants-in-Aid	18,535	18,535	0	0	0	0
Federal Restricted Grants-in-Aid	2,897	2,897	0	525,543	525,543	0
Total Revenue	9,128,455	9,128,455	0	767,860	767,860	0
Expenditures:						
Regular Instruction	4,245,708	3,893,188	352,520	113,986	94,565	19,421
Special Instruction	686,916	653,156	33,760	592,664	433,097	159,567
Vocational Instruction	154,047	153,532	515	0	0	0
Adult/Continuing Instruction	360	360	0	13,853	13,853	0
Other Instruction	338,873	326,064	12,809	0	0	0
Support Services-Pupils	476,154	435,715	40,439	22,468	12,241	10,227
Support Services-Instructional Staff	143,415	127,334	16,081	120,070	100,254	19,816
Support Services-Board of Education	29,930	28,008	1,922	0	0	0
Support Services-Administration	1,142,237	1,089,561	52,676	141,315	115,924	25,391
Fiscal Services	215,919	202,136	13,783	9,670	9,670	0
Support Services-Business	82	0	82	0	0	0
Operation & Maintenance-Plant	1,481,039	1,376,035	105,004	0	0	0
Support Services-Transportation	662,582	600,244	62,338	0	0	0
Support Services-Central	48,425	45,384	3,041	5,000	5,000	0
Food Service Operations	18,000	15,000	3,000	0	0	0
Community Services	500	500	0	0	0	0
Academic & Subject Oriented	17,124	16,343	781	60	0	60
Occupation Oriented Activities	0	0	0	1,200	0	1,200
Sports Oriented	163,983	153,168	10,815	51,200	46,305	4,895
Co-Curricular Activities	1,187	1,187	0	20,950	16,867	4,083
Site Improvement	45,150	45,111	39	0	0	0
Architecture & Engineering	0	0	0	0	0	0
Building Improvement	572,367	572,270	97	0	0	0
Repayment of Debt	0	0	0	0	0	0
Total Expenditures	10,443,998	9,734,296	709,702	1,092,436	847,776	244,660
Excess of Revenue Over (Under) Expenditures	(1,315,543)	(605,841)	709,702	(324,576)	(79,916)	244,660
Other Financing Sources (Uses):						
Sale & Loss of Assets	751	751	0	0	0	0
Advances-In	0	0	0	192,317	192,317	0
Refund of Prior Years Expense	89,920	89,920	0	0	0	0
Advances-Out	(192,317)	(192,317)	0	0	0	0
Total Other Sources (Uses)	(101,646)	(101,646)	0	192,317	192,317	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,417,189)	(707,487)	709,702	(132,259)	112,401	244,660
Beginning Fund (Deficit) Balance	3,852,474	3,852,474	-	137,857	137,857	-
Prior Year Carry Over Encumbrances	717,275	717,275	-	12,103	12,103	-
Ending Fund (Deficit) Balance	\$ 3,152,560	3,862,262	709,702	17,701	262,361	\$ 244,660

(Continued)

LaBrae Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)

All Governmental Fund Types and Expendable Trust Funds - Continued
Year Ended June 30, 1999

	Debt Service Fund			Capital Service Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 18,515	18,515	0	285,699	285,699	\$ 0
Tuition	0	0	0	0	0	0
Earnings on Investment	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Classroom Materials & Fees	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Restricted Grants-in-Aid	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	0	0	0	25,491	25,491	0
State Restricted Grants-in-Aid	0	0	0	52,034	52,034	0
State Revenue for/on Behalf of District	0	0	0	0	0	0
Federal Unrestricted Grants-in-Aid	0	0	0	0	0	0
Federal Restricted Grant-in-Aid	0	0	0	0	0	0
Total Revenue	18,515	18,515	0	363,224	363,224	0
Expenditures:						
Regular Instruction	0	0	0	155,918	129,082	26,836
Special Instruction	0	0	0	0	0	0
Vocational Instruction	0	0	0	0	0	0
Adult/Continuing Instruction	0	0	0	0	0	0
Other Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	0	0	0
Support Services-Instructional Staff	0	0	0	0	0	0
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	0	0	0
Fiscal Services	0	0	0	4,883	4,783	100
Support Services-Business	0	0	0	0	0	0
Operation & Maintenance-Plant	0	0	0	0	0	0
Support Services-Transportation	0	0	0	0	0	0
Support Services-Central	0	0	0	0	0	0
Food Service Operations	0	0	0	0	0	0
Community Services	0	0	0	0	0	0
Academic & Subject Oriented	0	0	0	0	0	0
Occupation Oriented Activities	0	0	0	0	0	0
Sports Oriented	0	0	0	0	0	0
Co-Curricular Activities	0	0	0	0	0	0
Site Improvement	0	0	0	236,328	232,315	4,013
Architecture & Engineering	0	0	0	114,553	104,069	10,484
Building Improvement	0	0	0	633,154	492,185	140,969
Repayment of Debt	18,515	18,515	0	0	0	0
Total Expenditures	18,515	18,515	0	1,144,836	962,434	182,402
Excess of Revenue Over (Under) Expenditures	0	0	0	(781,612)	(599,210)	182,402
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	0	0	0
Advances-In	0	0	0	0	0	0
Refund of Prior Years Expenditures	0	0	0	0	0	0
Advances-Out	0	0	0	0	0	0
Total Other Sources (Uses)	0	0	0	0	0	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	0	0	(781,612)	(599,210)	182,402
Beginning Fund (Deficit) Balance	0	0	--	334,822	334,822	--
Prior Year Carry Over Encumbrances	0	0	--	452,725	452,725	--
Ending Fund (Deficit) Balance	\$ 0	0	0	5,935	188,337	\$ 182,402

(Continued)

LaBrae Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Expendable Trust Funds - Continued
Year Ended June 30, 1999

	Expendable Trust Fund			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 0	0	0	3,703,441	3,703,441	\$ 0
Tuition	0	0	0	80,275	80,275	0
Earnings on Investment	0	0	0	222,838	222,838	0
Extracurricular Activities	0	0	0	116,438	116,438	0
Classroom Materials & Fees	0	0	0	16,685	16,685	0
Miscellaneous	451	451	0	34,013	34,013	0
State Unrestricted Grants-in-Aid	0	0	0	5,214,833	5,214,833	0
State Restricted Grants-in-Aid	0	0	0	151,943	151,943	0
State Revenue for/on Behalf of District	0	0	0	191,064	191,064	0
Federal Unrestricted Grants-in-Aid	0	0	0	18,535	18,535	0
Federal Restricted Grants-in-Aid	0	0	0	528,440	528,440	0
Total Revenue	451	451	0	10,278,505	10,278,505	0
Expenditures:						
Regular Instruction	0	0	0	4,515,612	4,116,835	398,777
Special Instruction	0	0	0	1,279,580	1,086,253	193,327
Vocational Instruction	0	0	0	154,047	153,532	515
Adult/Continuing Education	0	0	0	14,213	14,213	0
Other Instruction	0	0	0	338,873	326,064	12,809
Support Services-Pupils	0	0	0	498,622	447,956	50,666
Support Services-Instructional Staff	0	0	0	263,485	227,588	35,897
Support Services-Board of Education	0	0	0	29,930	28,008	1,922
Support Services-Administration	0	0	0	1,283,552	1,205,485	78,067
Fiscal Services	0	0	0	230,472	216,589	13,883
Support Services-Business	0	0	0	82	0	82
Operation & Maintenance-Plant	0	0	0	1,481,039	1,376,035	105,004
Support Services-Transportation	0	0	0	662,582	600,244	62,338
Support Services-Central	0	0	0	53,425	50,384	3,041
Food Service Operations	0	0	0	18,000	15,000	3,000
Community Services	1,500	731	769	2,000	1,231	769
Academic & Subject Oriented	0	0	0	17,184	16,343	841
Occupation Oriented Activities	0	0	0	1,200	0	1,200
Sports Oriented	0	0	0	215,183	199,473	15,710
Co-Curricular Activities	0	0	0	22,137	18,054	4,083
Site Improvement	0	0	0	281,478	277,426	4,052
Architecture & Engineering	0	0	0	114,553	104,069	10,484
Building Improvement	0	0	0	1,205,521	1,064,455	141,066
Repayment of Debt	0	0	0	18,515	18,515	0
Total Expenditures	1,500	731	769	12,701,285	11,563,752	1,137,533
Excess of Revenue Over (Under) Expenditures	(1,049)	(280)	769	(2,422,780)	(1,285,247)	1,137,533
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	751	751	0
Advances-In	0	0	0	192,317	192,317	0
Refund of Prior Years Expense	0	0	0	89,920	89,920	0
Refund of Prior Years Receipts	0	0	0	(192,317)	(192,317)	0
Total Other Sources (Uses)	0	0	0	90,671	90,671	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,049)	(280)	769	(2,332,109)	(1,194,576)	1,137,533
Beginning Fund (Deficit) Balance	3,120	3,120	--	4,328,273	4,328,273	--
Prior Year Carry Over Encumbrances	0	0	--	1,182,103	1,182,103	--
Ending Fund (Deficit) Balance	\$ 2,071	2,840	769	3,178,267	4,315,800	\$ 1,137,533

See Accompanying Notes to the General Purpose Financial Statements

LaBrae Local School District
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings
All Proprietary Fund Types
Year Ended June 30, 1999

	Enterprise Funds
Operating Revenues:	
Food Service	\$ 213,525
Classroom Materials & Fees	10,920
Total Operating Revenue	224,445
Operating Expenses:	
Personal Services - Salary	134,925
Employee Benefits	79,877
Purchased Services	4,806
Supplies and Materials	230,255
Depreciation	17,638
Other Expenses	1,600
Total Operating Expenses	469,101
Operating Loss	(244,656)
Non-Operating Revenues:	
State Unrestricted Grants-in-Aid	15,300
Federal Unrestricted Grants-in-Aid	200,650
Federal Restricted Grants-in-Aid	27,388
Total Non-Operating Revenue	243,338
Non-Operating Expenses:	
Loss on Disposal of Assets	0
Total Non-Operating Expenses	0
Net Loss	(1,318)
Beginning Retained Earnings	243,195
Retained Earnings at End of Year	241,877
Contributed Capital at End of Year	\$ 99,441

See Accompanying Notes to the General Purpose Financial Statements.

**LaBrae Local School District
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 Year Ended June 30, 1999**

	<u>Enterprise Funds</u>
Cash Flows from Operating Activities	
Operating (Loss)	\$ (244,656)
Adjustments to Reconcile Operating (Loss) to Net Cash provided by Operating Activities:	
Depreciation	17,638
Net (Increase) Decrease in Assets:	
Intergovernmental Receivable	0
Accounts Receivable	(28)
Inventory	(2,545)
Net Increase (Decrease) in Liabilities:	
Due to Other Funds	75
Intergovernmental Payable	1,111
Accounts Payable	5,961
Accrued Wages and Benefits	1,175
Deferred Revenue	2,388
Compensated Absences	2,107
Net Adjustments	27,882
Net Cash Used in Operating Activities	(216,774)
Cash Flows from Noncapital Financing Activities:	
Operating Grants from State Sources	15,300
Operating Grants from Federal Sources	228,038
Net Cash Provided by Non-capital Financing Sources	243,338
Cash Flow from Capital Financing Sources:	
Acquisition of Capital Assets	(32,496)
Net Cash Provided by Capital Financing sources	(32,496)
Net Increase in Cash & Cash Equivalents	(5,932)
Cash and Cash Equivalents at Beginning of Year	172,470
Cash and Cash Equivalents at End of Year	\$ 166,538

See Accompanying Notes to General Purpose Financial Statements.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the LaBrae Local School District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local School District as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 1998, was 1,596. The District employed 107 certified employees and 58 non-certificated employees. The District is supervised by the Trumbull County Educational Service Center, a separate entity.

The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the district is financially accountable. This report includes all activities considered by management to be part of the school by virtue of Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards*.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the District over which the District is financially accountable.

B. Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during the period.

General Fund - This fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the bylaws of the District and the laws of the State of Ohio.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital assets or facilities (other than those financed by proprietary and trust funds).

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Fund Types

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the proprietary fund types:

Enterprise Funds - These funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic *determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.*

Internal Service Funds - These funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The following are the fiduciary fund types:

Expendable Trust Funds - These funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Nonexpendable Trust Funds - These funds account for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds.

Agency Funds - These funds are purely custodial and thus do not involve measurement of results of operations.

Account Groups

Account Groups are financial reporting devices to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not affect expendable available financial resources. *The following are the account groups:*

General Fixed Assets Account Group - This account group is used to account for all of the District's fixed assets other than those accounted for in the Proprietary funds.

General Long-Term Debt Account Group - This account group is used to account for all of the District's long-term obligations other than those accounted for in the Proprietary Funds.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus/Basis of Accounting

The modified accrual basis of accounting is followed for Governmental and Expendable Trust Funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination. Under the basis of accounting:

- 1) Only current assets and current liabilities are generally included on their balance sheets.
- 2) Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
- 3) Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after year end.
 - a) Revenue accrued at the end of the year may include book fines, fees, interest and tuition.
 - b) Property taxes measurable as of June 30, 1999 and delinquent property taxes, whose availability is indeterminate, and are not intended to finance fiscal year 1999 operations, have been recorded as deferred revenues.
- 4) Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting" the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. Agency fund assets and liabilities are recognized on the modified accrual basis of accounting.

D. Budget and Budgetary Accounting

All governmental and proprietary fund types are subject to annual expenditures budgets. The Board follows the procedures outlined below in establishing the expenditure budget data reported in the general purpose financial statements:

- 1) A Tax Budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the fiscal year commencing the following July 1st. The Board of Education normally adopts the Tax Budget at its regular board meeting in January.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 2) The County Budget Commission certifies its actions to the District by March 1st. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. During the month of July, this certificate is amended to include any unencumbered balances from the preceding fiscal year.
- 3) An annual appropriation measure must be passed by the Board of Education by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Board of Education usually adopts temporary appropriations at its regular board meeting in June. The Annual Appropriation Resolution is usually adopted at the January regular board meeting. The appropriation measure may be amended or supplemented during the year as new information becomes available. Individual buildings may transfer funds within their budgets upon review and approval of the Treasurer, Superintendent, and the Board of Education. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the object level.
- 4) The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" (and also a separate "Combined Statement... for All Proprietary Fund Types") in accordance with the budget basis of accounting.

The major differences between the budgetary basis of accounting and GAAP are that:

- a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- b) Expenditures are recorded when encumbered (budget basis) as opposed to when the liability is incurred (GAAP basis);
- c) Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis); and
- d) For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP).

Encumbrances - As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

Note 1. Summary of Significant Accounting Policies (continued)

E. Cash and Investments

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments." During the fiscal year all investments were limited to certificates of deposit and repurchase agreements.

Investments are reported at cost except for investments in STAR Ohio which are reported at fair value. Fair value is based on quoted market prices.

The District did not invest funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 1998-99. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund.

For the District, all investment earnings accrue to the General Fund and Food Service Fund as authorized by board resolution. Interest income earned in fiscal year 1999 totaled \$325,804; interest revenue credited to the General Fund during the fiscal year amounted to \$321,151.

F. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 1999. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period levied, provided the funds are "available." "Available" means then due, or past due and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majority are not due at June 30, 1999 and accordingly have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible.

G. Inventories

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of the governmental fund type inventories are recorded as expenditures when purchased (purchase method) rather than when consumed. Reported inventories in these funds are equally offset by a fund balance reserve which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and general supplies, and are expended when used.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recognized under the nonallocation method. The nonallocation method of prepayments and deferrals is consistent with the basic governmental concept that only expendable financial resources are reported by a specific governmental fund. Payments for the prepaid items or deferrals are fully recognized as an expenditure in the year of payment. Under the nonallocation method no asset for the prepayment or deferral is created, and no expenditure allocation to future accounting periods is required.

I. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend asset lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed using the straight-line method over an estimated useful life of the assets.

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlements, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. The District currently participates in several State and Federal programs, categorized as follows:

Entitlements:

General Fund

State Foundation Program School Bus Funding

Capital Project Funds

Emergency Repair Grant

Tech/Equity

School Net Plus Grant

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Special Revenue Funds

Educational Management Information Systems
Textbook/Instructional Material Subsidy
Telecommunications/E-Rate

Non-Reimbursable Grants:

Special Revenue Funds

DPIA
Family Planning
Professional Development Block Grant
Title I
Title VI
Title VI B
Goals 2000

Reimbursable Grants:

General Fund

Driver Education Reimbursement
Tutor Reimbursement

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 58% of the District's operating revenue during the 1999 fiscal year.

K. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans are classified as "interfund receivables/payables." At June 30, 1999, the District had \$7,733 in "Due to Other Funds" and \$192,317 in "Interfund Receivables/Payables."

L. Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicated that they do not constitute expendable available financial resources and therefore are not available for appropriation. At June 30, 1999 the District had no long-term interfund loans.

M. Compensated Absences

The District accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations are reduced to

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. All employees with fifteen or more years of service were included in the calculation of the long-term compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1.) The employees' rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee. 2.) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For governmental funds, the District records a liability for accumulated unused vacation and sick leave when earned. The current portion of these unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group. In proprietary funds, compensated absences are expensed when earned with the amount reported as a fund liability.

N. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. The assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

O. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

P. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Q. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve, textbook reserve, and capital improvement reserve. These reserves are required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. Fund balance reserves have also been established.

R. Estimates

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

S. Fund Balance Reserves

Reserved Fund Balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund Balances are reserved for supplies inventory, encumbrances and future appropriation. The reserve for future appropriation represents the amount of the property taxes available for advance and recognized as revenue. The District is prohibited by law from appropriating the advance, since it was not received, for the current fiscal year. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the specific purposes of those funds.

T. Memorandum Only - Total Columns

Total columns on the general purposes financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. BUDGETARY BASIS OF ACCOUNTING

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types and Expendable Trust Funds				
	General Fund	Special Revenue	Capital Project	Expendable Trust
GAAP Basis	\$ 120,780	(62,294)	(463,722)	\$ (280)
Increase (Decrease):				
Due to Revenues:				
Net Adjustments to Revenue Accruals	(49,669)	(25,630)	0	0
Due to Expenditures:				
Net Adjustments to Expenditure	(518,324)	8,008	(135,488)	0
Due to Other Sources/Uses	(260,274)	192,317	0	0
Budget Basis	\$ (707,487)	112,401	(599,210)	\$ (280)

3. ACCOUNTABILITY AND COMPLIANCE

Pursuant to Section 117.11(A) of the Revised Code, the Auditor of State performed tests of compliance with various provisions of local, state and/or federal laws, as appropriate.

4. CASH AND INVESTMENTS

State statutes classify monies held by the District into three categories. Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdraw able on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

4. CASH AND INVESTMENTS (continued)

deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Moneys held by the District which are not considered active are classified as inactive. Interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any Federal Government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All Federal Agency securities shall be direct issuances of Federal Government Agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the District;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value; and
9. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

4. CASH AND INVESTMENTS (continued)

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.

Deposits At fiscal year end, the carrying amount of the District's deposits was (\$49,738) and the bank balance was \$25,000. All of the bank balance was covered by federal depository insurance. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Investments GASB Statement No. 3, entitled "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements" requires the District's investments to be categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the District's name.

	Category			Carrying Value	Fair Value
	1	2	3		
Certificate of Deposit	\$ 0	0	2,500,000	2,500,000	\$2,500,000
Repurchase Agreement	0	0	2,838,511	2,838,511	2,838,511
Total Investments				<u>\$5,338,511</u>	<u>\$5,338,511</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 entitled "reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No.3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No.9	\$ 5,288,773	\$ 0
Investments:		
Certificate of Deposit	(2,500,000)	2,500,000
Repurchase Agreement	(2,838,511)	2,838,511
Total	<u>(49,738)</u>	<u>5,338,511</u>

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

Cash on Hand	0	0
GASB Statement No.3	\$ (49,738)	\$ 5,338,511

5. PROPERTY TAX

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Trumbull County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 1993, an update was done in 1997. The next revaluation is scheduled for 1999. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is usually due February 14, with the remainder payable June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers may pay annually or semi-annually, the first payment is due April 30, with the remainder payable by September 28.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Trumbull County Treasurer collects property tax on behalf of the District. The Trumbull County Auditor remits to the District the taxes collected. Tax settlements are made each March and August for real property taxes and each June and October for personal property

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, are reflected as a reservation of fund balance. The District is prohibited by law from appropriating the property taxes recognized as revenue in accordance with Ohio Revised Code Section 5705.35 since an advance of tax revenue was not received by the end of the fiscal year.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

5. PROPERTY TAX (continued)

The full tax rate at the fiscal year ended June 30, 1999 for operations was \$47.3 per \$1,000 of assessed valuation and \$3.9 per \$1,000 of assessed valuation for permanent improvements. The assessed values of real and tangible personal property on which the fiscal year 1999 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$	12,857,310
Real Property-Residential/Agricultural		50,446,760
Real Property-Public Utility		110,920
Personal Property-General		20,855,365
Personal Property-Public Utilities		16,135,940

Total Assessed Value	\$	100,406,295

6. RECEIVABLES

Receivables at June 30, 1999 consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

General Fund:		
CAFS Funding	\$	6,555
Drivers Education Subsidy		600

Total General Fund		7,155
Special Revenue Fund:		
Title VI-B Grant		10,843
Title I Grant		115,200

Total Special Revenue Fund		126,043

Grand Total	\$	133,198

7. FIXED ASSETS

The following is a summary of the proprietary funds property, plant and equipment at June 30, 1999:

Furniture and Equipment	\$	417,228
Less Accumulated Depreciation		(187,862)

Net Fixed Assets	\$	229,366

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

7. FIXED ASSETS (continued)

In proprietary funds, the following estimated useful lives are used to compute depreciation:

Equipment	8-20 years
Furniture	20 years
Vehicles	10 years

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 1999:

	General Fixed Assets June 30, 1998	Additions	Deletions	General Fixed Assets June 30, 1999
Land and Improvements	\$ 7,158	0	0	\$ 7,158
Buildings	4,504,119	338,995	12,615	4,830,499
Improvements	265,281	551	0	265,832
Furniture and Equipment	4,237,545	359,552	10,518	4,586,579
Vehicles	926,434	0	26,920	899,514
Total General Fixed Assets	\$ 9,940,537	699,098	50,053	\$ 10,589,582

There was no significant construction in progress at June 30, 1999.

The general fixed assets as of June 30, 1998 were restated from \$9,781,897 to \$9,940,537, a net increase of \$158,640. The District had elected not to include improvements in the districts internal computer network in their general fixed assets. The district has subsequently reversed their position.

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

8. DEFINED BENEFIT PENSION PLANS (continued)

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent; 9.79 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$140,580, \$144,222, and \$134,548, respectively; 41 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$97,320 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 10.5 percent was the portion to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998 and 1997 were: \$671,088, \$623,640, and \$586,548, respectively; 83 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$111,848 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

C. Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System /State Teachers Retirement System. As of June 30, 1999, one member of the Board of Education has elected social security. The Board's liability is 6.2 percent of wages paid.

9. POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State Statute. Both systems are funded on a pay as you go basis.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

9. POSTEMPLOYMENT BENEFITS (continued)

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to two percent (2%) of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. The balance in the Health Care Reserve Fund was \$1,860 million at June 30, 1997 (the latest information available). The Health Care Reserve Fund allocation for the year ended June 30, 1999, will be 3.5% of covered payroll. For the District, this amount equaled \$167,772 during the 1999 fiscal year. For the fiscal year ended June 30, 1997, eligible benefit recipients totaled 88,718, and net health care costs paid by STRS were \$192,077,000.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year ended June 30, 1998 (the latest information available), employer contributions to fund health care benefits were 4.98 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund. For the District, this amount equaled \$77,036 during the 1999 fiscal year. The number of participants currently receiving health care benefits is approximately 50,000. For the fiscal year ended June 30, 1998, net health care costs paid by SERS were \$111,900,575.

10. COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only Administrative and support personnel who are under a full year contract (260 days) are eligible for vacation time. The Superintendent and Treasurer are granted twenty days of vacation per year.

Classified employees earn ten to twenty five days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

The Classified personnel accumulate vacation based on the following schedule:

Years Service	Vacation
1-7	10
8-14	15
15-21	20
22 -beyond	25

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

10. COMPENSATED ABSENCES (continued)

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for classified employees is 340 days. Maximum sick leave accumulation for certified employees is 345 days.

Retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement if the employee has been employed by the District for a minimum of seven consecutive years at the time of retirement. Any employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to a minimum of one-fourth of all accumulated sick leave credited to that employee. If retiring from the retirement system with fifteen or more years of service, severance shall be calculated on a graduated scale: 50% of the first 60 days=30 days; 5% of days 61-200=7 days; 10% of days 201-270=7 days; 25% of days 271-318 up to a maximum of fifty-six days.

11. RISK MANAGEMENT

A. General Risk

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 has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$5,000,000 in the aggregate. In addition, the District maintains a \$1,000,000 umbrella liability policy.

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$34,469,621.

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

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

11. RISK MANAGEMENT (continued)

Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

B. Shared Risk Pool

Trumbull County Insurance Consortium - The School District participates in the Trumbull County Insurance Consortium. This is a shared risk pool comprised of sixteen Trumbull County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the consortium. Consortium revenues are generated from charges for services.

12. NOTES AND LONG-TERM DEBT

A summary of changes in long-term obligations for the year ended June 30, 1999, are as follows:

	Balance July 1, 1998	Additions	Deletions	Balance June 30, 1999
Intergovernmental Payable	\$ 49,472	0	8,708	\$ 40,764
Notes Payable-Asbestos Assistance	138,866	0	18,515	120,351
Compensated Absences Payable	627,608	66,554	0	694,162
	<u>\$ 815,946</u>	<u>66,554</u>	<u>27,223</u>	<u>\$ 855,277</u>

Additions and deletions of compensated absences are shown net since it is impracticable for the District to determine these amounts separately.

The District received an interest free loan for Asbestos assistance with the United States Environmental Protection Agency. Under the Asbestos Schools Hazard Abatement Act of 1984, the District received a loan of \$333,276 to assist in an asbestos removal project. The repayment schedule for the loan portion is \$9,258 every six months, with the first payment made in June 1988 and the final amount due December 2005.

Payment for the installment purchase obligations as of June 30, 1999, and related interest.

	Payment
FY2000	18,516
FY2001	18,515
FY2002	18,515
FY2003 & Thereafter	64,805
	<u>\$120,351</u>

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

13. JOINTLY GOVERNED ORGANIZATIONS

North East Ohio Management Information Network- (NEOMIN) is a jointly governed organization among 30 school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts support NEOMIN based upon a per pupil charge. The District contributed \$20,962 to NEOMIN for fiscal year 1999.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County districts, and two treasurers, one from each county. The District was not represented on the Governing Board during fiscal year 1999. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. A complete set of separate financial statements may be obtained from the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

North East Ohio Special Education Regional Resource Center- (NEOSERRC) The North East Ohio Special Education Regional Resource Center (NEOSERRC) provides special education services at a regional level, as determined by each of the participating local school districts.

The District is a member of NEOSERRC and has a representative on the Governing Board. The District has no ongoing financial interest of financial responsibility to NEOSERRC.

North East Ohio Instructional Media Center - (NEOIMC) The North East Ohio Instructional Media Center (NEOIMC) is a jointly governed organization among 45 school districts. This jointly governed organization was formed for the purpose of providing quality films and/or other media to support the educational curricula of the member districts. Each member pays a monthly premium based on the use of the media materials.

NEOIMC is governed by an advisory committee made up of a member from a parochial school representative, a joint vocational school representative, the county superintendent from each participating county, one city superintendent and two local superintendents, rotating every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. In fiscal year 1999, the District contributed \$18,220. Financial information may be obtained by contacting the Treasurer of the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, OH 44481.

Trumbull County Joint Vocational School The Trumbull County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the 15 participating school districts' elected boards, which possesses its own budgeting and taxing authority. Financial information may be obtained by contacting the Treasurer of the Trumbull County Joint Vocational School, 528 Educational Highway, Warren, Ohio 44483.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

14. SEGMENTS OF ENTERPRISE ACTIVITIES

Key financial data for the District's Enterprise Funds for the year ended June 30, 1999, are as follows:

	Lunchroom Fund	Uniform Supply Fund	Total
Operating Revenues	\$ 213,525	10,920	\$ 224,445
Operating Expenses:			
Depreciation	(17,638)	0	(17,638)
Other Expenses	(445,860)	(5,603)	(451,463)
Total Operating Expenses	(463,498)	(5,603)	(469,101)
Operating Income	(249,973)	5,317	(244,656)
Non Operating Revenues and			
Operating Grants	243,338	0	243,338
Loss on Disposal of Assets	0	0	0
Net Income (loss)	<u>\$ (6,635)</u>	<u>5,317</u>	<u>\$ (1,318)</u>
Net Working Capital	<u>\$ 104,916</u>	<u>7,037</u>	<u>\$ 111,953</u>
Contributed Capital	<u>\$ 99,441</u>	<u>0</u>	<u>\$ 99,441</u>
Total Assets	<u>\$ 400,154</u>	<u>9,997</u>	<u>\$ 410,151</u>
Total Fund Equity	<u>\$ 234,840</u>	<u>7,037</u>	<u>\$ 241,877</u>

15. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement 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, 1999.

B. Litigation

The District is a defendant in a legal proceeding pertaining to matters which are incidental to performing routine governmental and other functions. Based on the status of this legal proceeding, it is the opinion of management that the ultimate resolution of such will not have a material effect on the District's financial statements.

16. SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

16. SCHOOL FUNDING DECISION (continued)

Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$1,988,079 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient," clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program (these programs) and on its financial operations.

17. STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Balance, 7/1/1998	\$ 0	\$ 0	\$ 46,436	\$ 46,436
Required Set Aside	133,756	133,756	0	267,512
Offset Credits	0	0	0	0
Qualifying Expenditures	(133,756)	(133,756)	0	(267,512)
Balance, 6/30/1999	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 46,436</u>	<u>\$ 46,436</u>

Expenditures for textbooks and capital maintenance during the year exceeded the required set-aside and the reserve balance.

18. YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations as early as Fiscal Year 1999.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

18. YEAR 2000 ISSUE (continued)

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting through the State Education Management Information System (EMIS).

The District uses Snyder & Associates' software for its financial reporting, payroll and employee benefits. Snyder & Associates is responsible for remediating these systems.

The State of Ohio distributes a substantial sum of money to the District in the form of "foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be Year 2000 ready.

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE <i>Passed through the Ohio Department of Education</i>						
Nutrition Cluster						
Food Distribution Program	10.550	N/A		\$29,775		\$29,775
School Breakfast Program	10.553	N/A	42,220		42,220	
National School Lunch Program	10.555	N/A	<u>158,430</u>		<u>158,430</u>	
Total Nutrition Cluster/Total Department of Agriculture			<u>200,650</u>	<u>29,775</u>	<u>200,650</u>	<u>29,775</u>
UNITED STATES DEPARTMENT OF EDUCATION <i>Passed through the Ohio Department of Education</i>						
Title 1, Grants to Local Educational Agencies	84.010	C1-S1-98 C1-S1-99	168,701 <u>270,632</u> 439,333		196,248 <u>277,323</u> 473,571	
Special Education Cluster						
Special Education Grants to States	84.027	6B-SF-98P 6B-SF-99P	70,361 <u>70,361</u>		19,844 <u>53,970</u> 73,814	
Safe and Drug - Free Schools and Communities - State Grants						
	84.186	DR-S1-98 DR-S1-99	6,112 <u>6,112</u>		45 <u>5,439</u> 5,484	
Innovative Educational Program Strategies						
	84.298	C2-S1-98 C2-S1-99	5,000 <u>5,000</u>		7,999 <u>7,999</u>	
E-Rate						
	84.XXX	N/A	4,737 <u>4,737</u>		0 <u>0</u>	
Total Receipts and Expenditures of Federal Awards			<u>\$726,193</u>	<u>\$29,775</u>	<u>\$761,518</u>	<u>\$29,775</u>

The notes to the Schedule of Federal Awards, Receipts, and Expenditures are an integral part of this statement.

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND
EXPENDITURES FOR THE YEAR ENDED JUNE 30, 1999**

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the Government's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B -- FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had food commodities valued at \$ 9,328 in inventory.

NOTE C -- MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Government Center
242 Federal Plaza West, Suite 302
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Facsimile 330-797-9949

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

LaBrae Local School District
Trumbull County
West Market Street
Leavittsburg, Ohio 44430

To the Board of Education:

We have audited the financial statements of LaBrae Local School District, Trumbull County, as of and for the year ended June 30, 1999, and have issued our report thereon dated December 22, 1999. We conducted our audit in accordance with generally accepted auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether LaBrae Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 no instances on noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered LaBrae Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

LaBrae Local School District
Trumbull County
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


Jim Petro
Auditor of State

December 22, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

LaBrae Local School District
Trumbull County
West Market Street
Leavittsburg, Ohio 44430

To the Board of Education:

Compliance

We have audited the compliance of LaBrae Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. LaBrae Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of LaBrae Local School District's management. Our responsibility is to express an opinion on LaBrae Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about LaBrae Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on LaBrae Local School District's compliance with those requirements.

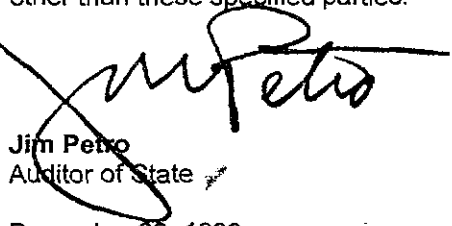
In our opinion, LaBrae Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

Internal Control Over Compliance

The management of LaBrae Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered LaBrae Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be a material weakness.

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Jim Petto
Auditor of State

December 22, 1999

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

JUNE 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster: 10.550 Food Distribution 10.555 National School Lunch 10.556 Special Milk Program
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: < \$ 300,000
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

**JUNE 30, 1999
(Continued)**

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

Finding Number	N/A - no findings

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	N/A - no findings



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LABRAE LOCAL SCHOOL DISTRICT - TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

By: *Susan Babbitt*
Clerk of the Bureau

Date: **JAN 18 2000**