



**LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

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STATE OF OHIO  
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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 District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District'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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, 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 Districts, 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 14, 2001

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**LaBrae Local School District  
Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2001**

	Governmental Fund Types			Proprietary	Fiduciary	Account Groups		Totals	
	Special	Debt	Capital	Fund Types	Fund Types	General	General	2001	
	General	Revenue	Service	Project	Enterprise	Trust and Agency	Fixed Assets	Long Term	
Assets and Other Debits:									
Equity in Pooled Cash and Investments	\$ 4,525,566	105,336	0	270,404	137,214	174,205	0	0	\$ 5,212,725
Taxes Receivables	4,355,984	0	18,515	276,695	0	0	0	0	4,651,194
Interest Receivables	93,517	0	0	0	0	0	0	0	93,517
Due from Other Funds	0	0	0	0	0	5,301	0	0	5,301
Intergovernmental Receivables	1,806	88,887	0	0	0	0	0	0	90,693
Accounts Receivable	14,561	1,424	0	0	6,822	197	0	0	23,004
Inventory	5,407	0	0	0	1,905	0	0	0	7,312
Inventory for Resale	0	0	0	0	10,146	0	0	0	10,146
Property, Plant, and Equipment	0	0	0	0	362,491	0	11,404,529	0	11,767,020
Accumulated Depreciation, Where Applicable	0	0	0	0	(171,277)	0	0	0	(171,277)
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	0	846,767	846,767
<b>Total Assets and Other Debits</b>	<b>\$ 8,996,841</b>	<b>195,647</b>	<b>18,515</b>	<b>547,099</b>	<b>347,301</b>	<b>179,703</b>	<b>11,404,529</b>	<b>846,767</b>	<b>\$ 22,536,402</b>

(Continued)



**LaBrae Local School District**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups, Continued**  
**June 30, 2001**

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups		Totals
	General	Special Revenue	Debt Service	Capital Project	Fund Type Enterprise	Fund Types Trust and Agency	General Fixed Assets	General Long Term	2001 (Memorandum) (Only)
<b>Liabilities:</b>									
Due to Other Funds	\$ 4,740	424	0	0	137	0	0	0	\$ 5,301
Intergovernmental Payables	146,436	9,372	0	0	13,931	154,532	0	58,870	383,141
Accounts Payable	87,058	13,155	0	77,098	40	138	0	0	177,489
Accrued Salaries and Benefits	964,247	85,681	0	0	28,740	0	0	0	1,078,668
Deferred Revenue	4,343,143	0	18,515	276,695	7,679	0	0	0	4,646,032
Due to Others	0	0	0	0	0	22,359	0	0	22,359
General Obligation Notes Payable	0	0	0	0	0	0	0	83,319	83,319
Compensated Absences Payable	27,036	0	0	0	7,182	0	0	704,578	738,796
<b>Total Liabilities</b>	<b>5,572,660</b>	<b>108,632</b>	<b>18,515</b>	<b>353,793</b>	<b>57,709</b>	<b>177,029</b>	<b>0</b>	<b>846,767</b>	<b>7,135,105</b>
<b>Fund Equity and Other Credits:</b>									
Investment in General Fixed Assets	0	0	0	0	0	0	11,404,529	0	11,404,529
Contributed Capital	0	0	0	0	99,441	0	0	0	99,441
Retained Earnings	0	0	0	0	190,151	0	0	0	190,151
<b>Fund Balances:</b>									
Reserved for Supply Inventory	5,407	0	0	0	0	0	0	0	5,407
Reserved for Encumbrances	27,993	3,760	0	20,621	0	0	0	0	52,374
Reserved for Future Appropriation	12,841	0	0	0	0	0	0	0	12,841
Reserved for Budget Stabilization	46,436	0	0	0	0	0	0	0	46,436
Unreserved Fund Balance	3,331,504	83,255	0	172,685	0	2,674	0	0	3,590,118
<b>Total Fund Balances</b>	<b>3,424,181</b>	<b>87,015</b>	<b>0</b>	<b>193,306</b>	<b>0</b>	<b>2,674</b>	<b>0</b>	<b>0</b>	<b>3,707,176</b>
<b>Total Fund Balances/Retained Earnings and Other Credits</b>	<b>3,424,181</b>	<b>87,015</b>	<b>0</b>	<b>193,306</b>	<b>289,592</b>	<b>2,674</b>	<b>11,404,529</b>	<b>0</b>	<b>15,401,297</b>
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b>\$ 8,996,841</b>	<b>195,647</b>	<b>18,515</b>	<b>547,099</b>	<b>347,301</b>	<b>179,703</b>	<b>11,404,529</b>	<b>846,767</b>	<b>\$ 22,536,402</b>

See Accompanying Notes to the General Purpose Financial Statements.

**LaBrae Local School District**  
**Combined Statement of Revenue, Expenditures, and Changes in Fund Balances**  
**All Governmental Fund Types and Expendable Trust Funds**  
**Year Ended June 30, 2001**

	Governmental Fund Types				Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>REVENUES:</b>						
Revenue from Local Sources						
Taxes	\$ 3,317,091	0	18,515	293,589	0	\$ 3,629,195
Tuition	110,597	0	0	0	0	110,597
Earnings on Investments	238,180	0	0	0	0	238,180
Extracurricular Activities	0	80,675	0	0	0	80,675
Classroom Materials & Fees	12,444	5,239	0	0	0	17,683
Miscellaneous	122,709	30,519	0	0	396	153,624
Revenue from State Sources						
Unrestricted Grants-in-Aid	5,506,863	0	0	26,059	0	5,532,922
Restricted Grants-in-Aid	40,950	144,677	0	79,792	0	265,419
Revenue from Federal Sources						
Unrestricted Grants-in-Aid	13,827	0	0	0	0	13,827
Restricted Grants-in-Aid	0	663,228	0	0	0	663,228
Total Revenue	<u>9,362,661</u>	<u>924,338</u>	<u>18,515</u>	<u>399,440</u>	<u>396</u>	<u>10,705,350</u>
<b>EXPENDITURES:</b>						
Current:						
Instruction						
Regular Instruction	4,597,954	186,098	0	52,339	0	4,836,391
Special Instruction	933,152	487,921	0	0	0	1,421,073
Vocational Instruction	135,767	0	0	0	0	135,767
Adult/Continuing Instruction	289	0	0	0	0	289
Other Instruction	288,322	0	0	0	0	288,322
Supporting Services						
Supporting Services-Pupils	437,266	25,000	0	0	0	462,266
Supporting Services-Instructional Staff	121,146	134,133	0	3,000	0	258,279
Supporting Services-Board of Education	31,302	0	0	0	0	31,302
Supporting Services-Administration	883,252	107,217	0	0	0	990,469
Fiscal Services	215,276	9,500	0	4,747	0	229,523
Supporting Services-Business	617	0	0	0	0	617
Operation & Maintenance-Plant	1,063,192	0	0	0	0	1,063,192
Supporting Services-Pupil	562,200	1,908	0	0	0	564,108
Supporting Services-Central	84,809	17,971	0	0	0	102,780
Operation of Non-Instructional Services						
Food Service Operations	2,967	0	0	0	0	2,967
Community Services	0	1,609	0	0	515	2,124
Extracurricular Activities						
Academic & Subject Oriented	20,350	1	0	0	0	20,351
Sports Oriented	135,850	44,555	0	0	0	180,405
Co-Curricular Activities	2,145	13,016	0	0	0	15,161
Capital Outlay						
Site Improvement	41,614	0	0	19,719	0	61,333
Architecture & Engineering	0	0	0	35,505	0	35,505
Building Improvement	124,650	0	0	479,330	0	603,980
Debt Service						
Repayment of Debt	0	0	18,515	0	0	18,515
Total Expenditures	<u>9,682,120</u>	<u>1,028,929</u>	<u>18,515</u>	<u>594,640</u>	<u>515</u>	<u>11,324,719</u>
Deficiency of Revenues						
Under Expenditures	(319,459)	(104,591)	0	(195,200)	(119)	(619,369)
Other Financing Sources and Uses:						
Other Financing Sources						
Sale & Loss of Assets	11,362	0	0	0	0	11,362
Refund of Prior Years Expenditures	201,023	0	0	0	0	201,023
Pass Through Payments	0	0	0	(6,000)	0	(6,000)
Net Other Financing Sources and Uses	<u>212,385</u>	<u>0</u>	<u>0</u>	<u>(6,000)</u>	<u>0</u>	<u>206,385</u>
Deficiency of Revenue Receipts and Other Sources Under Expenditure						
Disbursements and Other Uses	(107,074)	(104,591)	0	(201,200)	(119)	(412,984)
Decrease in Inventory	(1,362)	0	0	0	0	(1,362)
Beginning Fund Balance	<u>3,532,617</u>	<u>191,606</u>	<u>0</u>	<u>394,506</u>	<u>2,793</u>	<u>4,121,522</u>
Ending Fund Balance	<u>\$ 3,424,181</u>	<u>87,015</u>	<u>0</u>	<u>193,306</u>	<u>2,674</u>	<u>\$ 3,707,176</u>

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, 2001**

	General Fund			Special Revenue Funds		
	Revised		Variance	Revised		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$ 3,630,000	3,315,800	(314,200)	0	0	\$ 0
Tuition	145,620	113,142	(32,478)	0	0	0
Earnings on Investment	303,000	292,522	(10,478)	0	0	0
Extracurricular Activities	0	0	0	110,450	80,365	(30,085)
Classroom Materials & Fees	13,000	12,475	(525)	4,700	4,579	(121)
Miscellaneous	97,600	117,430	19,830	18,650	30,554	11,904
State Unrestricted Grants-in-Aid	5,412,500	5,506,863	94,363	0	0	0
State Restricted Grants-in-Aid	69,150	41,600	(27,550)	144,677	144,677	0
Federal Unrestricted Grants-in-Aid	15,000	13,722	(1,278)	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	813,562	704,341	(109,221)
<b>Total Revenue</b>	<b>9,685,870</b>	<b>9,413,554</b>	<b>(272,316)</b>	<b>1,092,039</b>	<b>964,516</b>	<b>(127,523)</b>
<b>Expenditures:</b>						
Regular Instruction	5,006,501	4,593,396	413,105	200,511	189,135	11,376
Special Instruction	1,004,176	927,199	76,977	487,746	479,061	8,685
Vocational Instruction	153,004	144,780	8,224	0	0	0
Adult/Continuing Instruction	500	289	211	4,652	4,652	0
Other Instruction	469,500	299,391	170,109	0	0	0
Support Services-Pupils	540,476	430,204	110,272	25,000	25,000	0
Support Services-Instructional Staff	169,772	129,969	39,803	158,972	138,588	20,384
Support Services-Board of Education	35,710	31,924	3,786	0	0	0
Support Services-Administration	921,200	851,217	69,983	137,895	115,501	22,394
Fiscal Services	281,007	213,277	67,730	9,500	9,500	0
Operation & Maintenance-Plant	1,362,416	1,141,862	220,554	0	0	0
Support Services-Transportation	1,049,512	728,495	321,017	1,908	1,908	0
Support Services-Central	96,125	84,809	11,316	17,971	17,971	0
Food Service Operations	3,000	2,967	33	0	0	0
Community Services	0	0	0	1,609	1,609	0
Academic & Subject Oriented	26,050	20,588	5,462	129	1	128
Occupation Oriented Activities	0	0	0	500	0	500
Sports Oriented	153,383	137,602	15,781	50,570	44,651	5,919
Co-Curricular Activities	2,450	2,145	305	14,350	13,002	1,348
Site Improvement	105,103	41,614	63,489	0	0	0
Architecture & Engineering	0	0	0	0	0	0
Building Improvement	234,650	124,650	110,000	0	0	0
Repayment of Debt	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>11,614,535</b>	<b>9,906,378</b>	<b>1,708,157</b>	<b>1,111,313</b>	<b>1,040,579</b>	<b>70,734</b>
Excess of Revenue Over (Under) Expenditures	(1,928,665)	(492,824)	1,435,841	(19,274)	(76,063)	(56,789)
<b>Other Financing Sources (Uses):</b>						
Sale & Loss of Assets	1,026	11,362	10,336	0	0	0
Transfers-In	(9,792)	0	9,792	0	0	0
Advances-In	176,804	176,804	0	0	0	0
Refund of Prior Years Expense	150,000	197,403	47,403	0	0	0
Advances-Out	(109,692)	0	109,692	(167,012)	(167,012)	0
Pass Through Payment	0	0	0	0	0	0
<b>Total Other Sources (Uses)</b>	<b>208,346</b>	<b>385,569</b>	<b>177,223</b>	<b>(167,012)</b>	<b>(167,012)</b>	<b>0</b>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,720,319)	(107,255)	1,613,064	(186,286)	(243,075)	(56,789)
Beginning Fund Balance	4,151,119	4,151,119	--	319,353	319,353	--
Prior Year Carry Over Encumbrances	383,377	383,377	--	12,171	12,171	--
<b>Ending Fund Balance</b>	<b>\$ 2,814,177</b>	<b>4,427,241</b>	<b>1,613,064</b>	<b>145,238</b>	<b>88,449</b>	<b>\$ (56,789)</b>

(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, 2001**

	Debt Service Fund			Capital Service Funds		
	Revised Budget	Actual	Variance	Revised Budget	Actual	Variance
			Favorable (Unfavorable)			Favorable (Unfavorable)
Revenues:						
Taxes	\$ 18,515	18,515	0	336,500	293,589	\$ (42,911)
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
State Unrestricted Grants-in-Aid	0	0	0	26,000	26,059	59
State Restricted Grants-in-Aid	0	0	0	85,792	79,792	(6,000)
Federal Unrestricted Grants-in-Aid	0	0	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
<b>Total Revenue</b>	<b>18,515</b>	<b>18,515</b>	<b>0</b>	<b>448,292</b>	<b>399,440</b>	<b>(48,852)</b>
Expenditures:						
Regular Instruction	0	0	0	86,174	76,793	9,381
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	4,000	3,000	1,000
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	10,000	4,747	5,253
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	19,755	19,719	36
Architecture & Engineering	0	0	0	42,888	35,505	7,383
Building Improvement	0	0	0	616,028	490,138	125,890
Repayment of Debt	18,515	18,515	0	0	0	0
<b>Total Expenditures</b>	<b>18,515</b>	<b>18,515</b>	<b>0</b>	<b>778,845</b>	<b>629,902</b>	<b>148,943</b>
Excess of Revenue Over (Under) Expenditures	0	0	0	(330,553)	(230,462)	100,091
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	0	0	0
Transfers-In	0	0	0	0	0	0
Advances-In	0	0	0	0	0	0
Refund of Prior Years Expense	0	0	0	0	0	0
Advances-Out	0	0	0	(9,792)	(9,792)	0
Pass Through Payments	0	0	0	(6,000)	(6,000)	0
<b>Total Other Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(15,792)</b>	<b>(15,792)</b>	<b>0</b>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	0	0	(346,345)	(246,254)	100,091
Beginning Fund Balance	0	0	--	371,519	371,519	--
Prior Year Carry Over Encumbrances	0	0	--	51,243	51,243	--
<b>Ending Fund Balance</b>	<b>\$ 0</b>	<b>0</b>	<b>0</b>	<b>76,417</b>	<b>176,508</b>	<b>\$ 100,091</b>

(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, 2001**

	Expendable Trust Fund			Totals (Memorandum Only)		
	Revised		Variance	Revised		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Taxes	\$ 0	0	0	3,985,015	3,627,904	\$ (357,111)
Tuition	0	0	0	145,620	113,142	(32,478)
Earnings on Investment	0	0	0	303,000	292,522	(10,478)
Extracurricular Activities	0	0	0	110,450	80,365	(30,085)
Classroom Materials & Fees	0	0	0	17,700	17,054	(646)
Miscellaneous	800	396	(404)	117,050	148,380	31,330
State Unrestricted Grants-in-Aid	0	0	0	5,438,500	5,532,922	94,422
State Restricted Grants-in-Aid	0	0	0	299,619	266,069	(33,550)
Federal Unrestricted Grants-in-Aid	0	0	0	15,000	13,722	(1,278)
Federal Restricted Grants-in-Aid	0	0	0	813,562	704,341	(109,221)
<b>Total Revenue</b>	<b>800</b>	<b>396</b>	<b>(404)</b>	<b>11,245,516</b>	<b>10,796,421</b>	<b>(449,095)</b>
Expenditures:						
Regular Instruction	0	0	0	5,293,186	4,859,324	433,862
Special Instruction	0	0	0	1,491,922	1,406,260	85,662
Vocational Instruction	0	0	0	153,004	144,780	8,224
Adult/Continuing Education	0	0	0	5,152	4,941	211
Other Instruction	0	0	0	469,500	299,391	170,109
Support Services-Pupils	0	0	0	565,476	455,204	110,272
Support Services-Instructional Staff	0	0	0	332,744	271,557	61,187
Support Services-Board of Education	0	0	0	35,710	31,924	3,786
Support Services-Administration	0	0	0	1,059,095	966,718	92,377
Fiscal Services	0	0	0	300,507	227,524	72,983
Operation & Maintenance-Plant	0	0	0	1,362,416	1,141,862	220,554
Support Services-Transportation	0	0	0	1,051,420	730,403	321,017
Support Services-Central	0	0	0	114,096	102,780	11,316
Food Service Operations	0	0	0	3,000	2,967	33
Community Services	1,500	513	987	3,109	2,122	987
Academic & Subject Oriented	0	0	0	26,179	20,589	5,590
Occupation Oriented Activities	0	0	0	500	0	500
Sports Oriented	0	0	0	203,953	182,253	21,700
Co-Curricular Activities	0	0	0	16,800	15,147	1,653
Site Improvement	0	0	0	124,858	61,333	63,525
Architecture & Engineering	0	0	0	42,888	35,505	7,383
Building Improvement	0	0	0	850,678	614,788	235,890
Repayment of Debt	0	0	0	18,515	18,515	0
<b>Total Expenditures</b>	<b>1,500</b>	<b>513</b>	<b>987</b>	<b>13,524,708</b>	<b>11,595,887</b>	<b>1,928,821</b>
Excess of Revenue Over (Under) Expenditures	(700)	(117)	583	(2,279,192)	(799,466)	1,479,726
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	1,026	11,362	10,336
Transfers-In	0	0	0	(9,792)	0	9,792
Advances-In	0	0	0	176,804	176,804	0
Refund of Prior Years Expense	0	0	0	150,000	197,403	47,403
Advances-Out	0	0	0	(286,496)	(176,804)	109,692
Pass Through Payments	0	0	0	(6,000)	(6,000)	0
<b>Total Other Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>25,542</b>	<b>202,765</b>	<b>177,223</b>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(700)	(117)	583	(2,253,650)	(596,701)	1,656,949
Beginning Fund Balance	2,792	2,792	--	4,844,783	4,844,783	--
Prior Year Carry Over Encumbrances	0	0	--	446,791	446,791	--
<b>Ending Fund Balance</b>	<b>\$ 2,092</b>	<b>2,675</b>	<b>583</b>	<b>3,037,924</b>	<b>4,694,873</b>	<b>\$ 1,656,949</b>

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, 2001**

	Enterprise Funds
Operating Revenues:	
Food Service	\$ 247,701
Classroom Materials & Fees	10,341
Total Operating Revenue	258,042
Operating Expenses:	
Personal Services - Salary	145,917
Employee Benefits	72,306
Purchased Services	6,561
Supplies and Materials	256,533
Other Expenses	1,900
Depreciation	15,100
Total Operating Expenses	498,317
Operating Loss	(240,275)
Non-Operating Revenues:	
Earnings on Investments	3,056
State Unrestricted Grants-in-Aid	11,299
Federal Unrestricted Grants-in-Aid	195,774
Federal Restricted Grants-in-Aid	32,131
Total Non-Operating Revenue	242,260
Non-Operating Expenses:	
Loss on Disposal of Assets	267
Total Non-Operating Expenses	267
Net Gain	1,718
Beginning Retained Earnings	188,433
Retained Earnings at End of Year	190,151
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, 2001**

	<u>Enterprise Funds</u>
Cash Flows from Operating Activities	
Operating (Loss)	\$ (240,275)
Adjustments to Reconcile Operating (Loss) to Net Cash provided by Operating Activities:	
Depreciation	15,100
Net (Increase) Decrease in Assets:	
Accounts Receivable	(6,654)
Inventory	1,469
Net Increase (Decrease) in liabilities:	
Due to Other Funds	6
Intergovernmental Payable	(1,875)
Accounts Payable	(93)
Accrued Wages and Benefits	1,000
Deferred Revenue	(1,078)
Compensated Absences	(289)
Net Adjustments	7,586
Net Cash Used in Operating Activities	(232,689)
Cash Flows from Noncapital Financing Activities:	
Earnings on Investments	3,056
Operating Grants from State Sources	11,299
Operating Grants from Federal Sources	227,905
Net Cash Provided by Non-capital Financing Sources	242,260
Net Increase in Cash & Cash Equivalents	9,571
Cash and Cash Equivalents at Beginning of Year	127,643
Cash and Cash Equivalents at End of Year	\$ 137,214

See Accompanying Notes to General Purpose Financial Statements

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**LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001**

**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, 2000, was 1,526. The District employed 108 certified employees and 59 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 No. 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 District 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.

**LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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. 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 Board of Education 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).

LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(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.

**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 Fund** - This fund accounts for resources, including both principal and earnings, which must be expended according to the provision of the trust agreement. An expendable trust fund is accounted for in essentially the same manner as a governmental fund.

**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.

**LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(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.
  - a) Revenue accrued at the end of the year may include book fines, fees, interest, tuition and grant payments.
  - b) Property taxes measurable as of June 30, 2001 and delinquent property taxes, whose availability is indeterminate, and are not intended to finance fiscal year 2001 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.

**LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 20th 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.
- 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" 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

**LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- 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 Basis).

**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.

**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.

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 2001 totaled \$241,236; Interest revenue credited to the General Fund during the fiscal year amounted to \$238,180.

**F. Taxes Receivable**

The financial statements reflect taxes receivable as of June 30, 2001. 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, 2001 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.

**LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. 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.

**I. 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

Special Revenue Funds

Educational Management Information Systems  
Telecommunications/E-Rate

**LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Non-Reimbursable Grants:

Special Revenue Funds

DPIA  
Family Planning  
Professional Development Block Grant  
Title I  
Title VI  
Title VI-B  
Title VI-R  
Goals 2000  
Ohio Reads

Reimbursable Grants:

General Fund

Driver Education Reimbursement  
Tutor Reimbursement

Proprietary Funds

National School Lunch Program  
Government Donated Commodities

Grants and entitlements amounted to approximately 60% of the District's operating revenue during the 2001 fiscal year.

**J. 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, 2001, the District had \$5,301 in "Due to Other Funds" and no "Interfund Receivables/Payables."

**K. 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, 2001 the District had no long-term interfund loans.



**LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. 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 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; and 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.

**M. 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.

**N. 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.

**LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. 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.

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.

**P. Estimates**

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

**Q. 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.

**R. Memorandum Only - Total Columns**

Total columns on the general purpose 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.

**LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(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	\$ (107,074)	(104,591)	(201,200)	\$ (119)
Increase (Decrease):				
Due to Revenues:				
Net Adjustments to Revenue Accruals	50,893	40,178	0	0
Due to Expenditures:				
Net Adjustments to Expenditure Accruals	(224,258)	(11,650)	(35,262)	2
Due to Other Sources/Uses	173,184	(167,012)	(9,792)	0
Budget Basis	<u>\$ (107,255)</u>	<u>(243,075)</u>	<u>(246,254)</u>	<u>\$ (117)</u>

**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 withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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 deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

**LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**4. CASH AND INVESTMENTS (Continued)**

Monies held by the District which are not considered active are classified as inactive. Inactive 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 monies 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 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.

**LABRAE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**4. CASH AND INVESTMENTS (Continued)**

**Deposits:** At fiscal year end, the carrying amount of the District's deposits was \$10,807 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		
Certificates of Deposit	\$ 0	0	3,000,000	3,000,000	\$3,000,000
Repurchase Agreement	0	0	2,201,918	2,201,918	2,201,918
Total Investments				<u>\$5,201,918</u>	<u>\$5,201,918</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	\$ 5,212,725	\$ 0
Investments:		
Certificates of Deposit	(3,000,000)	3,000,000
Repurchase Agreement	(2,201,918)	2,201,918
Total	10,807	5,201,918
Cash on Hand	0	0
GASB Statement No. 3	<u>\$ 10,807</u>	<u>\$ 5,201,918</u>

**LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**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 1999; an update is scheduled for 2002. The next revaluation is scheduled for 2005. 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.

The full tax rate at the fiscal year ended June 30, 2001 for operations was \$47.30 per \$1,000 of assessed valuation and \$3.90 per \$1,000 of assessed valuation for permanent improvements. The assessed values of real and tangible personal property on which the fiscal year 2001 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$ 15,057,580
Real Property-Residential/Agricultural	65,909,400
Real Property-Public Utility	101,140
Personal Property-General	22,764,358
Personal Property-Public Utilities	<u>15,148,090</u>
Total Assessed Value	<u>\$ 118,980,568</u>

**LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**6. RECEIVABLES**

Receivables at June 30, 2001 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:	
Retarded/Disabled Program	\$ 1,806
Total General Fund	<u>1,806</u>
Special Revenue Fund:	
Title I Grant	69,683
Title VI-B Grant	10,525
Title VI-R Grant	8,679
Total Special Revenue Fund	<u>88,887</u>
Grand Total	<u><u>\$ 90,693</u></u>

**7. FIXED ASSETS**

The following is a summary of the proprietary funds property, plant and equipment at June 30, 2001:

Furniture and Equipment	\$ 362,491
Less Accumulated Depreciation	<u>(171,277)</u>
Net Fixed Assets	<u><u>\$ 191,214</u></u>

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

Equipment	8-20 years
Furniture	20 years
Vehicles	10 years

**LABRAE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**7. FIXED ASSETS (Continued)**

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2001:

	General Fixed Assets June 30, 2000	Additions	Deletions	General Fixed Assets June 30, 2001
Land and Improvements	\$ 7,158	0	0	\$ 7,158
Buildings	5,044,068	666,551	5,167	5,705,452
Improvements	280,956	0	0	280,956
Furniture and Equipment	4,129,861	221,529	35,563	4,315,827
Vehicles	958,245	258,691	121,800	1,095,136
Total General Fixed Assets	<u>\$ 10,420,288</u>	<u>1,146,771</u>	<u>162,530</u>	<u>\$ 11,404,529</u>

There was no significant construction in progress at June 30, 2001.

**8. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$160,200, \$139,452 and \$140,580 respectively; 45 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$96,393 representing the unpaid contribution for fiscal year 2001, including the surcharge, is recorded as a liability within the respective funds and the general long-term obligations account group.



**LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, 6 percent was used 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, 2001, 2000, and 1999 were \$761,064, \$637,824 and \$671,088, respectively; 83 percent has been contributed for fiscal year 2001, and 100 percent for fiscal years 2000 and 1999. \$126,844 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

**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 non-certificated 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.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund, a decrease of 3.5 percent for fiscal year 2001. For the District, this amount equaled \$244,628 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3,419 million. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to 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.

**LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**9. POSTEMPLOYMENT BENEFITS (Continued)**

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2001. 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 2001, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, during the 2001 fiscal year equaled \$128,433.

The surcharge, 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. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants receiving health care benefits.

**10. COMPENSATED ABSENCES**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. The District accounts for compensated absence liability in accordance with GASB 16. The District has determined the vesting method of calculation to be the most appropriate method to compute the estimate.

**Vacation Leave** - Unused vacation, to a maximum of five (5) days, shall be paid to any 12 month classified employee with the first pay in July with the exception of the Superintendent, Administrative Assistant and Treasurer. The Superintendent will be paid for a maximum of five (5) days at the end of his contract year in July. The Treasurer will be paid at the end of her contract year in December. The Administrative Assistant must use or lose the yearly 20-day accumulation. The District has determined that available vacation leave is subject to accrual based upon the vacation leave balances at June 30.

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 20 days of vacation per year.

Classified employees earn 10 to 25 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. Classified, 12-month employees can be paid for one week of vacation if unused at June 30.

The classified personnel accumulate vacation based on the following schedule:

<u>Years of Service</u>	<u>Vacation Days</u>
1-7	10
8-14	15
15-21	20
22 -beyond	25

**LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**10. COMPENSATED ABSENCES (Continued)**

**Sick Leave** - 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 is 375 days for classified employees and 390 days for certified employees.

**Severance Pay** - Based upon district negotiated agreements an employee upon retirement from active service is eligible to receive a portion of their sick leave. Based upon past historical trends, it has been determined that an employee with 15 or more years of vested service will be eligible for severance pay (any age) or employee over 60 with seven or more years of service (STRS/SERS vested). An analysis of all employees has been made to determine those with 15 or more years of service or 60 or older. The negotiated agreements and calculation follows:

**Certified Employees** - Severance pay shall be a one-time lump sum payment under either of the following provisions: (1) The certified employee retires from the school system. To receive additional benefits as calculated below, the certified employee must have been employed by the District for seven or more years; or (2) The certified employee resigns with fifteen (15) or more years of service to the District. Severance shall be calculated on a graduated scale: 50% of the first 60 days = 30 days; 5% of days 61-200 = 7 days; 12.85% of days 201-270 = 9 days; 25% of days 271-318 = 12 days; over 318 days = 1 day, up to a maximum of 59 days.

**Classified Employees** - Severance pay shall be a one-time lump sum payment under either of the following provisions: (1) The classified employee retires from the school system. To receive additional benefits as calculated below, the classified employee must have been employed by the District for seven or more years; or (2) The classified employee resigns with fifteen (15) or more years of service to the District. Severance shall be calculated on a graduated scale: 50% of the first 60 days = 30 days; 5% of days 61-200 = 7 days; 12.85% of days 201-270 = 9 days; 25% of days 271-318 = 12 days; over 318 days = 1 day, up to a maximum of 59 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 \$35,636,361.

**LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**11. RISK MANAGEMENT (Continued)**

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. 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 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, 2001, are as follows:

	Balance			Balance
	July 1, 2000	Additions	Deletions	June 30, 2001
Intergovernmental Payable	\$ 39,508	58,870	39,508	\$ 58,870
Notes Payable-Asbestos Assistance	101,835	0	18,516	83,319
Compensated Absences Payable	701,997	2,581	0	704,578
	<u>\$ 843,340</u>	<u>61,451</u>	<u>58,024</u>	<u>\$ 846,767</u>

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

**LABRAE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**12. NOTES AND LONG-TERM DEBT (Continued)**

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, 2001, and related interest.

	Payment
FY2002	\$ 18,515
FY2003	18,515
FY2004	18,515
FY2005	18,516
FY2006	9,258
	<u>\$ 83,319</u>

**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 \$30,292 to NEOMIN for fiscal year 2001.

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 2001. 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.

**LABRAE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**13. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**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 2001, the District contributed \$2,142. Financial information may be obtained by contacting the Treasurer of the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, OH 44481.

**Trumbull Career and Technical Center -** The Trumbull Career and Technical Center 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 Career and Technical Center, 528 Educational Highway, Warren, Ohio 44483.

**14. SEGMENTS OF ENTERPRISE ACTIVITIES**

Key financial data for the District's Enterprise Funds for the year ended June 30, 2001, are as follows:

	Lunchroom Fund	Uniform Supply Fund	Total
Operating Revenues	\$ 247,701	10,341	\$ 258,042
Operating Expenses:			
Depreciation	(15,100)	0	(15,100)
Other Expenses	(473,941)	(9,276)	(483,217)
Total Operating Expenses	(489,041)	(9,276)	(498,317)
Operating Income	(241,340)	1,065	(240,275)
Non Operating Revenues and			
Operating Grants	239,203	0	239,203
Earnings on Investments	3,056	0	3,056
Loss on Disposal of Assets	(266)	0	(266)
Net Income (loss)	<u>\$ 653</u>	<u>1,065</u>	<u>\$ 1,718</u>
Net Working Capital	<u>\$ 86,793</u>	<u>11,584</u>	<u>\$ 98,377</u>
Contributed Capital	<u>\$ 99,441</u>	<u>0</u>	<u>\$ 99,441</u>
Total Assets	<u>\$ 335,717</u>	<u>11,584</u>	<u>\$ 347,301</u>
Total Fund Equity	<u>\$ 278,008</u>	<u>11,584</u>	<u>\$ 289,592</u>

**LABRAE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**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, 2001.

**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 September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as December 14, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

**LABRAE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**17. STATUTORY RESERVES**

The District is required by State statute to annually set-aside an amount based on prior year revenues for the purchase of textbooks, and other instructional materials, and an additional amount for capital improvements. Amounts not spent by year end or offset by similarly restricted resources must be held in cash at year end and carried forward to be used for the same purpose in future years.

Effective April 10, 2001 Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. As of June 30, 2001, the School Board has not taken action to designate these funds for a specific use. Therefore, the reserve for budget stabilization for the portion attributed to BWC refunds will remain on the Balance Sheet for June 30, 2001. The remaining balance of the reserve for budget stabilization will be classified as Unreserved Fund Balance.

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve
Balance, 7/1/2000	\$ 0	\$ 0	\$ 113,314
Required Set Aside	209,947	209,947	0
Reduction of Budget Stab.	0	0	(66,878)
Qualifying Expenditures	(209,947)	(209,947)	0
Balance, 6/30/2001	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 46,436</u>

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

**18. FUND DEFICITS**

Fund Deficits:

Fund balances at June 30, 2001, included the following individual fund deficit:

Special Revenue Funds:

Title VI-R	\$ (660)
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The deficit is due to the adjustments for accounts payable and interfund payables. The general fund is liable for any deficits in funds and provides operating transfers when cash is required, not when accruals occur.

**19. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE**

For fiscal year 2001, the District has implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. At June 30, 2001 there was no effect on fund balances as a result of implementing GASB 33.



**LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2001**

<b>FEDERAL GRANTOR Pass-Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through the Ohio Department of Education</i>						
Nutrition Cluster						
Food Distribution Program	10.550	N/A		\$32,131		\$32,131
School Breakfast Program	10.553	N/A	40,806		40,806	
National School Lunch Program	10.555	N/A	<u>154,968</u>		<u>154,968</u>	
Total Nutrition Cluster/Total Department of Agriculture			<u>195,774</u>	<u>32,131</u>	<u>195,774</u>	<u>32,131</u>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed through the Ohio Department of Education</i>						
Title 1, Grants to Local Educational Agencies	84.010	C1-S1-00 C1-S1-01	130,000		143,731	
Total CFDA # 84.010			<u>362,122</u>		<u>344,682</u>	
			<u>492,122</u>		<u>488,413</u>	
Special Education Cluster						
Special Education Grants to States	84.027	6B-SF-00P 6B-SF-01P	37,012		50,552	
Total CFDA # 84.027			<u>103,511</u>		<u>95,511</u>	
			<u>140,523</u>		<u>146,063</u>	
Title VI	84.151	C2-S1-00 C2-S1-01	0		455	
Total CFDA # 84.151			<u>7,315</u>		<u>7,145</u>	
			<u>7,315</u>		<u>7,600</u>	
Title IV Safe & Drug Free School	84.186	DR-S1-01	6,130		6,117	
Eisenhower Professional Development	84.281	MS-S1-01	9,381		9,381	
			<u>9,381</u>		<u>9,381</u>	
Class Size Reduction	84.340	CR-S1-00 CR-S1-01	0		11,545	
Total CFDA #84.340			<u>48,870</u>		<u>37,310</u>	
			<u>48,870</u>		<u>48,855</u>	
Total Department of Education			<u>704,341</u>	<u>0</u>	<u>706,429</u>	<u>0</u>
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed through the Ohio Department of Human Services, passed through the Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program- Title XIX	93.778		13,722	0	13,722	0
			<u>13,722</u>	<u>0</u>	<u>13,722</u>	<u>0</u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$913,837</b></u>	<u><b>\$32,131</b></u>	<u><b>\$915,925</b></u>	<u><b>\$32,131</b></u>

*The notes to the Schedule of Federal Award Expenditures are an integral part of this statement.*

**LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**FISCAL YEAR ENDED JUNE 30, 2001**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the School'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, 2000, the District had no significant food commodities in inventory.

**NOTE C -- MATCHING REQUIREMENTS**

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



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## REPORT 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, 2001, and have issued our report thereon dated December 14, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### 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.

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 14, 2001



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**REPORT 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, 2001. LaBrae Local School District's major federal program is 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 its major federal program 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 its major federal program for the year ended June 30, 2001.

**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 Petro**  
Auditor of State

December 14, 2001

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

**LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL  
JUNE 30, 2001**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	84.010 Title I
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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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.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 22, 2002**