



Mary Taylor, CPA
Auditor of State

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

LaBrae Local School District
Trumbull County
1001 North Leavitt Road
Leavittsburg, Ohio 44430

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the LaBrae Local School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Labrae Local School District, Trumbull County, Ohio, as of June 30, 2008, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund 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 January 15, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Federal Awards Expenditures is required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 15, 2010

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

The management's discussion and analysis of the LaBrae Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2008 are as follows:

- In total, net assets of governmental activities decreased \$822,067 which represents a 3.44% decrease from 2007.
- General revenues accounted for \$11,330,626 in revenue or 76.18% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,543,763 or 23.82% of total revenues of \$14,874,389.
- The District had \$15,696,456 in expenses related to governmental activities; only \$3,543,763 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$11,330,626 were not adequate to provide for these programs.
- The District has three major governmental funds. They are the general fund, debt service fund and classroom facilities fund. The general fund had \$11,932,637 in revenues and other financing sources and \$12,579,098 in expenditures. During fiscal year 2008, the general fund's fund balance decreased \$646,568 from \$2,074,699 to \$1,428,131.
- The debt service fund is a major fund of the District. The debt service fund had \$781,710 in revenues and \$797,411 in expenditures. During fiscal year 2008, the debt service fund's fund balance decreased \$15,701 from \$277,956 to \$262,255.
- The classroom facilities fund is a major fund of the District. The classroom facilities fund had \$126,316 in revenues and \$985 in expenditures. During fiscal year 2008, the classroom facilities fund's fund balance increased \$125,331 from \$2,907,223 to \$3,032,554.

Using These Basic Financial Statements (BFS)

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

The statement of net assets and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, debt service fund and classroom facilities fund are by far the most significant funds, and the only governmental funds reported as major funds.

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
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Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

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

The statement of net assets and the statement of activities, include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, food service operations and uniform school supplies activities.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, debt service fund and classroom facilities fund. All other governmental funds are considered nonmajor.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-49 of this report.

The District as a Whole

The statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets at June 30, 2008 and June 30, 2007.

	Net Assets	
	Governmental Activities 2008	Governmental Activities 2007
<u>Assets</u>		
Current and other assets	\$ 11,875,671	\$ 12,658,359
Capital assets, net	<u>26,124,184</u>	<u>27,141,224</u>
Total assets	<u>37,999,855</u>	<u>39,799,583</u>
<u>Liabilities</u>		
Current liabilities	4,716,671	5,156,398
Long-term liabilities	<u>10,232,667</u>	<u>10,770,601</u>
Total liabilities	<u>14,949,338</u>	<u>15,926,999</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	16,909,690	17,441,980
Restricted	4,214,619	4,056,815
Unrestricted	<u>1,926,208</u>	<u>2,373,789</u>
Total net assets	<u>\$ 23,050,517</u>	<u>\$ 23,872,584</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$23,050,517.

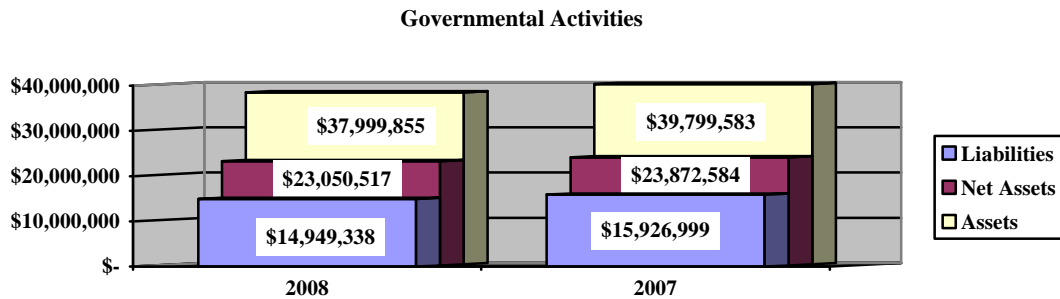
**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

At fiscal year-end, capital assets represented 68.75% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$16,909,690. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$4,214,619, represents resources that are subject to external restriction on how they may be used. Of this total, \$3,250,339 is restricted for capital projects, \$540,205 is restricted for debt service and \$424,075 is restricted for other purposes.

The graph below illustrates the governmental activities assets, liabilities and net assets at June 30, 2008 and 2007:



The table below shows the change in net assets for fiscal years 2008 and 2007.

	Governmental Activities 2008	Governmental Activities 2007
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,441,823	\$ 1,485,784
Operating grants and contributions	2,094,381	1,991,503
Capital grants and contributions	7,559	12,105
General revenues:		
Property taxes	3,566,352	3,868,458
Grants and entitlements	7,385,276	7,267,553
Investment earnings	290,850	320,949
Miscellaneous	88,148	46,151
Total revenues	14,874,389	14,992,503

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
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	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	6,993,326	6,815,087
Special	1,656,587	1,455,198
Vocational	96,770	105,092
Other	485,893	402,563
Support services:		
Pupil	643,695	633,678
Instructional staff	358,838	329,308
Board of education	53,776	86,943
Administration	1,229,303	1,164,855
Fiscal	347,214	329,170
Business	-	37
Operations and maintenance	1,471,014	1,828,698
Pupil transportation	654,681	589,513
Central	117,916	119,008
Operation of non-instructional services:		
Food service operations	779,542	742,776
Other non-instructional services	8,150	10,115
Extracurricular activities	323,098	314,527
Interest and fiscal charges	<u>476,653</u>	<u>503,093</u>
Total expenses	<u>15,696,456</u>	<u>15,429,661</u>
Change in net assets	(822,067)	(437,158)
Net assets at beginning of year	<u>23,872,584</u>	<u>24,309,742</u>
Net assets at end of year	<u>\$ 23,050,517</u>	<u>\$ 23,872,584</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$822,067. Total governmental expenses of \$15,696,456 were offset by program revenues of \$3,543,763 and general revenues of \$11,330,626. Program revenues supported 22.58% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 73.63% of total governmental revenue.

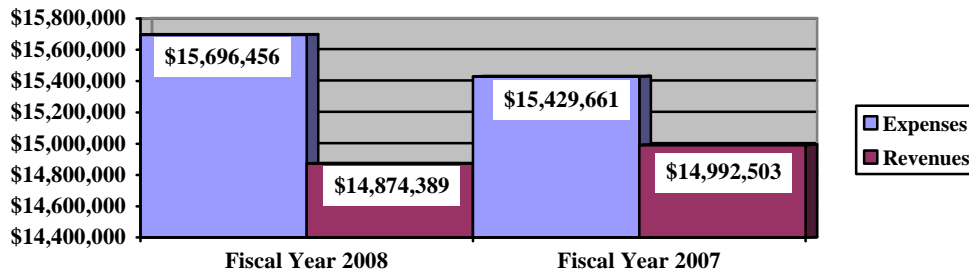
The largest expense of the District is for instructional programs. Instruction expenses totaled \$9,232,576 or 58.82% of total governmental expenses for fiscal year 2008.

The graph that follows presents the District's governmental activities revenue and expenses for fiscal years 2008 and 2007.

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
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Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

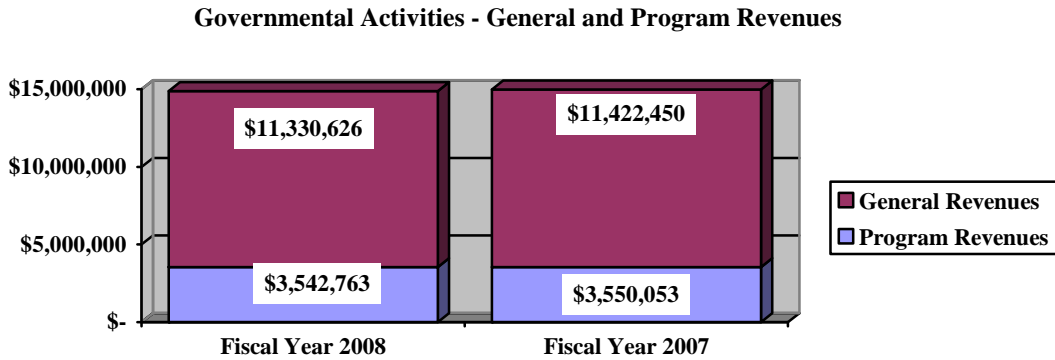
	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program expenses				
Instruction:				
Regular	\$ 6,993,326	\$ 5,804,422	\$ 6,815,087	\$ 5,510,280
Special	1,656,587	444,288	1,455,198	320,158
Vocational	96,770	59,387	105,092	73,185
Other	485,893	392,630	402,563	307,303
Support services:				
Pupil	643,695	637,923	633,678	622,418
Instructional staff	358,838	260,831	329,308	258,329
Board of education	53,776	53,776	86,943	86,443
Administration	1,229,303	1,128,213	1,164,855	1,091,745
Fiscal	347,214	344,715	329,170	318,203
Business	-	-	37	37
Operations and maintenance	1,471,014	1,421,184	1,828,698	1,828,508
Pupil transportation	654,681	627,659	589,513	562,185
Central	117,916	112,523	119,008	113,538
Operation of non-instructional services				
Food service operations	779,542	138,458	742,776	104,679
Other non-instructional services	8,150	4,436	10,115	8,699
Extracurricular activities	323,098	245,595	314,527	231,466
Interest and fiscal charges	476,653	476,653	503,093	503,093
Total expenses	<u>\$ 15,696,456</u>	<u>\$ 12,152,693</u>	<u>\$ 15,429,661</u>	<u>\$ 11,940,269</u>

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
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The dependence upon tax and other general revenues for governmental activities is apparent, 71.87% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 77.42%. The District's taxpayers and unrestricted grants and entitlements from the State are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2008 and 2007.



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$5,472,311, which is lower than last year's total of \$5,976,665. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance <u>June 30, 2008</u>	Fund Balance <u>June 30, 2007</u>	Increase/ <u>(Decrease)</u>
General	\$ 1,428,131	\$ 2,074,699	\$ (646,568)
Debt service	262,255	277,956	(15,701)
Classroom facilities	3,032,554	2,907,223	125,331
Other governmental	<u>749,371</u>	<u>716,787</u>	<u>32,584</u>
Total	<u>\$ 5,472,311</u>	<u>\$ 5,976,665</u>	<u>\$ (504,354)</u>

General Fund

The District's general fund balance decreased \$646,568. The table that follows assists in illustrating the financial activities of the general fund.

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
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	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 2,687,663	\$ 2,932,795	\$ (245,132)	(8.36) %
Tuition	958,278	984,056	(25,778)	(2.62) %
Earnings on investments	160,628	209,658	(49,030)	(23.39) %
Intergovernmental	7,975,049	7,822,727	152,322	1.95 %
Other revenues	<u>107,990</u>	<u>114,239</u>	<u>(6,249)</u>	<u>(5.47) %</u>
Total	<u>\$ 11,889,608</u>	<u>\$ 12,063,475</u>	<u>\$ (173,867)</u>	<u>(1.44) %</u>
	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>				
Instruction	\$ 7,967,747	\$ 7,349,472	\$ 618,275	8.41 %
Support services	4,177,787	3,963,693	214,094	5.40 %
Operation of non-instructional services	4,383	7,874	(3,491)	(44.34) %
Extracurricular activities	229,855	219,651	10,204	4.65 %
Facilities acquisition and construction	60,102	469,998	(409,896)	(87.21) %
Debt service	<u>139,224</u>	<u>139,244</u>	<u>(20)</u>	<u>(0.01) %</u>
Total	<u>\$ 12,579,098</u>	<u>\$ 12,149,932</u>	<u>\$ 429,166</u>	<u>3.53 %</u>

A reduction in investable funds has resulted in a reduction in interest revenue of 23.39%. The decrease in tax revenues is primarily caused by the phase out of tangible personal property taxes. Facilities acquisition and construction expenditures decreased by 87.21%, in 2008 due to the completion of the athletic facility during 2007. All other revenues and expenditures are comparable to the prior year.

Debt Service Fund

The debt service fund had \$781,710 in revenues and \$797,411 in expenditures. During fiscal 2008, the debt service fund's fund balance decreased \$15,701 from \$277,956 to \$262,255.

Classroom Facilities Fund

The classroom facilities fund is a major fund of the District. The classroom facilities fund had \$126,316 in revenues and \$985 in expenditures. During fiscal year 2008, the classroom facilities fund's fund balance increased \$125,331 from \$2,907,223 to \$3,032,554.

General Fund Budgeting Highlights

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

During the course of fiscal year 2008, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$12,952,295, which was higher than the original budgeted revenues estimate of \$12,697,152. Actual revenues and other financing sources for fiscal year 2008 was \$12,321,071. This represents a \$631,224 decrease from final budgeted revenues.

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED

General fund final appropriations (appropriated expenditures plus other financing uses) were \$13,515,896, which was higher than the original budgeted appropriations estimate of \$12,714,388. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$12,938,139, which was \$577,757 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the District had \$26,124,184 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2008 balances compared to June 30, 2007.

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2008	Restated 2007
Land	\$ 257,591	\$ 257,591
Land improvements	2,616,597	2,766,117
Buildings and improvements	22,026,674	22,790,168
Furniture and equipment	971,403	1,047,572
Vehicles	251,919	279,776
Total	\$ 26,124,184	\$ 27,141,224

Total additions to capital assets for 2008 were \$82,276 and depreciation expense was \$1,099,316. The overall decrease in capital assets is \$1,017,040.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2008, the District had \$7,220,558 in general obligation bonds, \$1,913,000 in a lease purchase agreement and \$257,500 in a tax anticipation note outstanding. Of this total, \$496,750 is due within one year and \$8,894,308 is due in greater than one year. The following table summarizes the bonds, lease purchase agreement and tax anticipation note outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2008	2007
General obligation bonds	\$ 7,220,558	\$ 7,503,295
Lease purchase agreement	1,913,000	1,949,000
Tax anticipation note	257,500	386,250
Total	\$ 9,391,058	\$ 9,838,545

At June 30, 2008, the District's overall legal debt margin was \$3,455,487 and an unvoted debt margin of \$113,747.

See Note 9 to the basic financial statements for additional information on the District's debt administration.

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

Current Financial Related Activities

The District has carefully managed its general fund budget in order to optimize the dollars available for educating the students it serves, and to minimize levy millage requests from our citizens. As the preceding information shows, the general fund's cash balance (both restricted and unrestricted) was \$2,567,352 at June 30, 2008. Sound fiscal management by the Board of Education and Administration has enabled the District to maintain a healthy cash balance.

Our District heavily depends on its property taxpayers. Our community's support was measured in the fall of 2004 when the community passed a 3 mill permanent improvement issue.

Continued legislative and judicial actions have occurred that will have a major impact on our District. The Ohio Supreme Court ruled in March 1997 that the State of Ohio was operating an unconstitutional education system, one that was neither "adequate" nor "equitable". The State has not yet developed a school funding plan that has been deemed acceptable by the Court, and ultimate resolution still seems to be some time in the future. There is concern that the State may not have the ability to fully fund the previously approved subsidies for primary and secondary in the State budget. The biannual budget approved in the State for fiscal years 2006 and 2007 did not prove helpful to the funding situation for the LaBrae Local Schools. Changes to the State's school foundation funding formula did not include additional revenue, and in fact, caused a decline in foundation funding for 2008.

Declining enrollment over the past ten years is a trend that has received the attention of the Board of Education and Administration. Reduced student counts lead to staffing reduction and less state funding. Each of these factors negatively impacts the operations of the District.

The District continues its commitment to educational and financial excellence. The budgetary and internal controls utilized by the District are well regarded by the Auditor of State, as exemplified by the unqualified audit opinions that have been received. The District is committed to living within its financial means and working with the community it serves in order to gather adequate resources to support the educational program.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Carol Jones, Treasurer, LaBrae Local School District, 1001 North Leavitt Road, Leavittsburg, Ohio 44430.

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents . . .	\$ 4,445,862
Investments	2,262,365
Receivables:	
Taxes	4,892,294
Accounts	2,735
Intergovernmental	176,488
Accrued interest	46,054
Prepayments	31,118
Materials and supplies inventory.	18,755
Capital assets:	
Land	257,591
Depreciable capital assets, net	25,866,593
Total capital assets, net	26,124,184
 Total assets.	 37,999,855
 Liabilities:	
Accounts payable.	10,100
Accrued wages and benefits	1,002,612
Pension obligation payable.	260,186
Intergovernmental payable	21,091
Accrued interest payable	26,353
Unearned revenue.	3,396,329
Long-term liabilities:	
Due within one year.	640,681
Due in more than one year.	9,591,986
 Total liabilities	 14,949,338
 Net Assets:	
Invested in capital assets, net of related debt.	16,909,690
Restricted for:	
Capital projects	3,250,339
Debt service.	540,205
Classroom facilities maintenance.	246,170
State funded programs.	2,430
Federally funded programs.	54,835
Student activities.	16,413
Public school preschool	57,791
Other purposes	46,436
Unrestricted.	1,926,208
 Total net assets	 \$ 23,050,517

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 6,993,326	\$ 1,062,109	\$ 126,795	\$ -	\$ (5,804,422)
Special	1,656,587	29,726	1,182,573	-	(444,288)
Vocational	96,770	-	37,383	-	(59,387)
Other	485,893	-	93,263	-	(392,630)
Support services:					
Pupil	643,695	-	5,772	-	(637,923)
Instructional staff	358,838	-	98,007	-	(260,831)
Board of education	53,776	-	-	-	(53,776)
Administration	1,229,303	-	101,090	-	(1,128,213)
Fiscal	347,214	-	2,499	-	(344,715)
Operations and maintenance	1,471,014	49,830	-	-	(1,421,184)
Pupil transportation	654,681	-	19,463	7,559	(627,659)
Central	117,916	-	5,393	-	(112,523)
Operation of non-instructional services:					
Food service operations	779,542	222,621	418,463	-	(138,458)
Other non-instructional services	8,150	982	2,732	-	(4,436)
Extracurricular activities	323,098	76,555	948	-	(245,595)
Interest and fiscal charges	476,653	-	-	-	(476,653)
Total governmental activities	\$ 15,696,456	\$ 1,441,823	\$ 2,094,381	\$ 7,559	(12,152,693)

General Revenues:

Property taxes levied for:	
General purposes	2,724,766
Debt service	721,724
Facilities maintenance	47,103
Capital outlay	72,759
Grants and entitlements not restricted	
to specific programs	7,385,276
Investment earnings	290,850
Miscellaneous	88,148
Total general revenues	11,330,626
Change in net assets	(822,067)
Net assets at beginning of year	23,872,584
Net assets at end of year	\$ 23,050,517

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and cash equivalents	\$ 2,520,916	\$ 259,215	\$ 744,000	\$ 875,295	\$ 4,399,426
Investments	-	-	2,262,365	-	2,262,365
Receivables:					
Taxes	3,683,868	1,005,114	-	203,312	4,892,294
Accounts	1,196	-	-	1,539	2,735
Intergovernmental	64,488	-	-	112,000	176,488
Accrued interest	1,114	-	44,940	-	46,054
Interfund loans	112,000	-	-	-	112,000
Prepayments	26,025	-	-	5,093	31,118
Materials and supplies inventory	6,731	-	-	12,024	18,755
Restricted assets:					
Equity in pooled cash and cash equivalents	46,436	-	-	-	46,436
Total assets	\$ 6,462,774	\$ 1,264,329	\$ 3,051,305	\$ 1,209,263	\$ 11,987,671
Liabilities:					
Accounts payable	\$ 9,228	\$ -	\$ -	\$ 872	\$ 10,100
Accrued wages and benefits	927,099	-	-	75,513	1,002,612
Compensated absences payable	140,851	-	-	-	140,851
Pension obligation payable	227,950	-	-	32,236	260,186
Intergovernmental payable	19,941	-	-	1,150	21,091
Interfund loan payable	-	-	-	112,000	112,000
Deferred revenue	1,152,159	304,303	18,751	100,554	1,575,767
Unearned revenue	2,557,415	697,771	-	141,143	3,396,329
Total liabilities	5,034,643	1,002,074	18,751	463,468	6,518,936
Fund Balances:					
Reserved for encumbrances	77,682	-	20,390	3,736	101,808
Reserved for budget stabilization	46,436	-	-	-	46,436
Reserved for materials and supplies inventory	6,731	-	-	12,024	18,755
Reserved for property tax unavailable for appropriation	11,144	3,040	-	615	14,799
Reserved for debt service	-	259,215	-	-	259,215
Reserved for prepayments	26,025	-	-	5,093	31,118
Unreserved, undesignated, reported in:					
General fund	1,260,113	-	-	-	1,260,113
Special revenue funds	-	-	-	569,319	569,319
Capital projects funds	-	-	3,012,164	155,008	3,167,172
Total fund balances	1,428,131	262,255	3,032,554	745,795	5,468,735
Total liabilities and fund balances	\$ 6,462,774	\$ 1,264,329	\$ 3,051,305	\$ 1,209,263	\$ 11,987,671

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008

Total governmental fund balances		\$	5,468,735
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			26,124,184
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	1,481,166	
Accrued interest receivable		18,751	
Intergovernmental receivable		75,850	
		1,575,767	
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.			(26,353)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(7,220,558)	
Compensated absences payable		(700,758)	
Lease-purchase agreement		(1,913,000)	
Tax anticipation note		(257,500)	
		(10,091,816)	
Net assets of governmental activities		\$	23,050,517

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes	\$ 2,687,663	\$ 714,344	\$ -	\$ 99,072	\$ 3,501,079
Tuition.	958,278	-	-	-	958,278
Earnings on investments.	160,628	-	126,316	4,626	291,570
Charges for services	-	-	-	222,621	222,621
Classroom materials and fees	13,736	-	-	22,354	36,090
Extracurricular.	-	-	-	162,245	162,245
Other local revenues.	94,254	-	-	17,394	111,648
Intergovernmental - state	7,975,049	67,366	-	262,381	8,304,796
Intergovernmental - federal.	-	-	-	1,133,004	1,133,004
Total revenues.	<u>11,889,608</u>	<u>781,710</u>	<u>126,316</u>	<u>1,923,697</u>	<u>14,721,331</u>
Expenditures:					
Current:					
Instruction:					
Regular	6,411,970	-	-	233,722	6,645,692
Special.	1,066,746	-	-	504,879	1,571,625
Vocational.	95,723	-	-	-	95,723
Other	393,308	-	-	92,585	485,893
Support services:					
Pupil.	609,999	-	-	6,000	615,999
Instructional staff	178,142	-	-	95,276	273,418
Board of education	53,776	-	-	-	53,776
Administration.	1,048,081	-	-	102,829	1,150,910
Fiscal	291,027	11,588	-	7,983	310,598
Operations and maintenance.	1,283,419	-	-	48,439	1,331,858
Pupil transportation	607,407	-	-	19,903	627,310
Central.	105,936	-	-	5,393	111,329
Operation of non-instructional services:					
Food service operations	-	-	-	634,044	634,044
Other non-instructional services	4,383	-	-	3,767	8,150
Extracurricular activities.	229,855	-	-	85,423	315,278
Facilities acquisition and construction	60,102	-	985	57,812	118,899
Debt service:					
Principal retirement	36,000	448,750	-	-	484,750
Interest and fiscal charges	103,224	337,073	-	-	440,297
Total expenditures	<u>12,579,098</u>	<u>797,411</u>	<u>985</u>	<u>1,898,055</u>	<u>15,275,549</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(689,490)</u>	<u>(15,701)</u>	<u>125,331</u>	<u>25,642</u>	<u>(554,218)</u>
Other financing sources:					
Insurance proceeds	43,029	-	-	-	43,029
Total other financing sources	<u>43,029</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,029</u>
Net change in fund balances	(646,461)	(15,701)	125,331	25,642	(511,189)
Fund balances at beginning of year	2,074,699	277,956	2,907,223	716,787	5,976,665
Increase (decrease) in reserve for inventory.	(107)	-	-	3,366	3,259
Fund balances at end of year	<u>\$ 1,428,131</u>	<u>\$ 262,255</u>	<u>\$ 3,032,554</u>	<u>\$ 745,795</u>	<u>\$ 5,468,735</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds \$ (511,189)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital outlay	\$ 82,276	
Current year depreciation	(1,099,316)	
Total		(1,017,040)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes	65,273	
Intergovernmental revenue	40,850	
Earnings on investments	3,906	
Total		110,029

Repayment of bond, note and lease-purchase principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.

484,750

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as expense when consumed.

3,259

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

Accrued interest	907	
Accreted interest	(37,263)	
Total		(36,356)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

144,480

Change in net assets of governmental activities **\$ (822,067)**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
From local sources:				
Taxes	\$ 2,851,765	\$ 2,909,070	\$ 2,695,344	\$ (213,726)
Tuition	970,498	990,000	958,278	(31,722)
Earnings on investments	170,572	174,000	161,757	(12,243)
Classroom materials and fees	14,410	14,700	13,733	(967)
Other local revenues	231,057	235,700	168,450	(67,250)
Intergovernmental - state	8,160,029	8,324,000	7,947,410	(376,590)
Total revenues	12,398,331	12,647,470	11,944,972	(702,498)
Expenditures:				
Current:				
Instruction:				
Regular	6,198,484	6,653,082	6,459,975	193,107
Special	996,608	1,140,985	1,100,714	40,271
Vocational	105,592	117,657	96,639	21,018
Other	304,030	394,767	393,308	1,459
Support services:				
Pupil	638,504	672,957	643,211	29,746
Instructional staff	169,543	191,107	179,530	11,577
Board of education	79,083	66,579	58,247	8,332
Administration	1,136,315	1,119,533	1,067,708	51,825
Fiscal	287,054	300,618	291,616	9,002
Business	37	-	-	-
Operations and maintenance	1,194,653	1,323,128	1,288,686	34,442
Pupil transportation	661,811	767,272	705,364	61,908
Central	109,187	107,440	104,686	2,754
Operation of non-instructional services	5,407	7,195	4,383	2,812
Extracurricular activities	220,088	240,661	232,746	7,915
Facilities acquisition and construction	532,992	161,690	60,102	101,588
Debt service:				
Principal retirement	-	36,000	36,000	-
Interest and fiscal charges	-	103,225	103,224	1
Total expenditures	12,639,388	13,403,896	12,826,139	577,757
Excess of expenditures over revenues	(241,057)	(756,426)	(881,167)	(124,741)
Other financing sources (uses):				
Refund of prior year expenditure	49,015	50,000	83,245	33,245
Advances in	73,523	75,000	75,000	-
Advances (out)	(75,000)	(112,000)	(112,000)	-
Sale of capital assets	176,283	179,825	217,854	38,029
Total other financing sources (uses)	223,821	192,825	264,099	71,274
Net change in fund balance	(17,236)	(563,601)	(617,068)	(53,467)
Fund balance at beginning of year	3,001,644	3,001,644	3,001,644	-
Prior year encumbrances appropriated	96,307	96,307	96,307	-
Fund balance at end of year	\$ 3,080,715	\$ 2,534,350	\$ 2,480,883	\$ (53,467)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 4,051	\$ 30,487
Accounts receivable.	-	486
	4,051	\$ 30,973
Total assets	4,051	\$ 30,973
Liabilities:		
Due to students	-	\$ 30,973
	-	\$ 30,973
Total liabilities	-	\$ 30,973
Net Assets:		
Held in trust for scholarships	4,051	
	4,051	
Total net assets	\$ 4,051	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Private-Purpose Trust	
	Scholarship	
Deductions:		
Scholarships awarded	\$	66
Change in net assets		(66)
Net assets at beginning of year.		4,117
Net assets at end of year	\$	4,051

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The LaBrae Local School District (the “District”) is located in Trumbull County, Ohio and encompasses all or part of surrounding townships.

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 its residents of the District.

The District is the 357th largest by enrollment among the 896 school districts and community schools in the State. It currently operates 1 elementary school and 1 comprehensive middle/high school. The District is staffed by 47 non-certified and 103 certified personnel to provide services to approximately 1,506 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District’s significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units”. The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access to organization’s resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

North East Ohio Management Information Network (NEOMIN)

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 \$28,100 to NEOMIN for fiscal year 2008.

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 2008. 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, 6000 Youngstown-Warren Rd., Niles, Ohio, 44446.

North East Ohio Instructional Media Center (NEOIMC)

NEOIMC is a jointly governed organization among 45 school districts. The jointly governed organization was formed for the purpose of providing quality films and/or other media to support the educational curricula of the member school districts. Each member pays a monthly premium based on use of the media materials.

NEOIMC is governed by an advisory committee made up of a member from a parochial school, a joint vocational school, 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. Financial information can be obtained by contacting the Treasurer at the Trumbull County Educational Service Center, 6000 Youngstown-Warren Rd., Niles, Ohio, 44446.

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.

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The Plan'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 OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

Trumbull County Schools Employee Insurance Benefit Consortium

The Trumbull County Schools Employee Insurance Benefit Consortium (the "Consortium") is a shared risk pool comprised of fifteen 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 exercises controls over the operations of the Consortium. All Consortium revenues are generated from charges for services and remitted to the fiscal agent Trumbull County Educational Service Center. The fiscal agent will then remit the charges for services to Watson Wyatt Worldwide in Cleveland, Ohio, an agent of Medical Mutual, who acts in the capacity of a third-party administrator (TPA) for claims processing.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

General fund - The general 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 for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt service fund - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond and principal and interest from governmental resources when the government is obligated in some manner for payment.

Classroom facilities fund - The classroom facilities fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those accounted for in the classroom facilities fund; (b) for food service and uniform school supplies services; and (c) for grants and other resources whose use is restricted to a particular purpose.

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue on the fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the fund financial statements as expenditures with a like amount reported as intergovernmental revenue.

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

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function within each fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget - Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased tax rates). By no later than January 20, the Board-adopted budget is filed with Trumbull County Budget Commission for rate determination.

Estimated Resources - By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the original and final amended certificate of estimated resources issued during the fiscal year.

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Appropriations - Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control. Any revisions that alter the legal level of budgetary control must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, all supplemental appropriations were legally enacted.

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. 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 cash equivalents" on the basic financial statements.

During fiscal year 2008, investments were limited to repurchase agreements, nonnegotiable certificates of deposits, federal agency securities, and U.S. Government money market mutual funds. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements and nonnegotiable certificates of deposit, 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. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$160,628, which includes \$91,748 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year-end is provided in Note 4.

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when received. Inventories are accounted for using the purchase method on the fund statements and using the consumption method on the government-wide statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

General capital assets are those assets specifically related to governmental activities. These assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

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

All reported capital assets except land are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities <u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	8 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the statement of net assets.

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least 15 years of service regardless of their age and all employees 60 years or older with seven or more years of service were considered expected to become eligible in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

K. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the governmental funds balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset on the fund financial statements.

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that; once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

M. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, prepayments, debt service, property taxes unavailable for appropriation, materials and supplies, and budget stabilization. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes consist of monies restricted by State statute for budget stabilization.

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

O. Estimates

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

P. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount reserved for budget stabilization. See Note 16 for details.

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 13) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2008 included the following individual fund deficit:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Poverty aid	\$ 5,798
Title II-A	3,576

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances are the result of adjustments for accrued liabilities.

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS 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 five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (State Treasury Asset Reserve of Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all District deposits was \$2,195,552. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$2,086,588 of the District's bank balance of \$2,286,588 was exposed to custodial risk as discussed below, while \$200,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Investments

As of June 30, 2008, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase Agreement	\$ 1,938,010	\$ 1,938,010
FHLMC	1,005,390	\$ 1,005,390
FNMA	1,256,975	1,256,975
U.S. Government money market mutual fund	<u>346,838</u>	<u>346,838</u>
Total	<u>\$ 4,547,213</u>	<u>\$ 4,547,213</u>

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District's investments in federal securities were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District's investments in a U.S. Government money market were rated AAAM by Standard and Poor's.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 1,938,010	42.62%
FHLMC	1,005,390	22.11%
FNMA	1,256,975	27.64%
U.S. Government money market mutual fund	<u>346,838</u>	7.63%
Total	<u>\$ 4,547,213</u>	<u>100.00%</u>

C. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,195,552
Investments	<u>4,547,213</u>
Total	<u>\$ 6,742,765</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 6,708,227
Private-purpose trust fund	4,051
Agency fund	<u>30,487</u>
Total	<u>\$ 6,742,765</u>

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund loans receivable/payable consisted of the following at June 30, 2008, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental Funds	\$ 112,000

The primary purpose of the interfund balances is to cover the costs in specific funds where revenues were not received by June 30. The interfund balances will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. 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 due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 6 - PROPERTY TAXES - (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Trumbull County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

The amount available as an advance at June 30, 2008 was \$11,144 in the general fund, \$3,040 in the debt service fund, and \$615 in classroom facilities maintenance and permanent improvement funds (nonmajor governmental funds). These amounts have been recorded as revenue. The amount that was available as an advance at June 30, 2007 was \$18,824 in the general fund, \$5,184 in the debt service fund and \$712 in the classroom facilities maintenance and permanent improvement funds (nonmajor governmental funds).

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2008 taxes were collected are:

	<u>2007 Second Half Collections</u>		<u>2008 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 107,219,990	86.98	\$ 107,421,390	92.27
Public utility personal	8,908,520	7.23	6,729,850	5.78
General personal property	<u>7,134,498</u>	<u>5.79</u>	<u>2,265,528</u>	<u>1.95</u>
Total	<u>\$ 123,263,008</u>	<u>100.00</u>	<u>\$ 116,416,768</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$ 47.30		\$ 47.30	
Debt service	5.80		5.85	
Permanent improvements	3.90		3.00	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities:	
Taxes	\$ 4,892,294
Accounts	2,735
Intergovernmental	176,488
Accrued interest	<u>46,054</u>
Total	<u>\$ 5,117,571</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance at</u> <u>06/30/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>06/30/08</u>
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 257,591	\$ -	\$ -	\$ 257,591
Total capital assets, not being depreciated	<u>257,591</u>	<u>-</u>	<u>-</u>	<u>257,591</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,034,399	-	-	3,034,399
Buildings and improvements	24,831,300	-	-	24,831,300
Furniture and equipment	1,289,318	14,250	-	1,303,568
Vehicles	813,825	68,026	-	881,851
Total capital assets, being depreciated	<u>29,968,842</u>	<u>82,276</u>	<u>-</u>	<u>30,051,118</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(268,282)	(149,520)	-	(417,802)
Buildings and improvements	(2,041,132)	(763,494)	-	(2,804,626)
Furniture and equipment	(241,746)	(90,419)	-	(332,165)
Vehicles	(534,049)	(95,883)	-	(629,932)
Total accumulated depreciation	<u>(3,085,209)</u>	<u>(1,099,316)</u>	<u>-</u>	<u>(4,184,525)</u>
Governmental activities capital assets, net	<u>\$ 27,141,224</u>	<u>\$ (1,017,040)</u>	<u>\$ -</u>	<u>\$ 26,124,184</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 509,859
Special	53,742
<u>Support services:</u>	
Pupil	44,137
Instructional staff	80,701
Administration	76,305
Fiscal	35,309
Operations and maintenance	37,818
Pupil transportation	99,537
Central	6,587
Extracurricular activities	7,820
Food service operations	147,501
Total depreciation expense	<u>\$ 1,099,316</u>

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 9 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2008, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/07</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/08</u>	Amounts Due in <u>One Year</u>
Governmental Activities:					
<u>General obligation bonds:</u>					
Series 2002, improvement bonds					
Current interest bonds					
2.0% - 5.0%, 12/01/24 maturity	\$ 7,150,000	\$ -	\$ (320,000)	\$ 6,830,000	\$ 330,000
Capital appreciation bonds					
10.548% (average effective)					
06/01/15 and 06/01/16 maturity	213,994	-	-	213,994	-
Accreted interest	<u>139,301</u>	<u>37,263</u>	<u>-</u>	<u>176,564</u>	<u>-</u>
Total general obligation bonds payable	<u>7,503,295</u>	<u>37,263</u>	<u>(320,000)</u>	<u>7,220,558</u>	<u>330,000</u>
<u>Other long-term obligations:</u>					
OASBO lease-purchase agreement	1,949,000	-	(36,000)	1,913,000	38,000
Tax anticipation note	386,250	-	(128,750)	257,500	128,750
Compensated absences	<u>932,056</u>	<u>29,477</u>	<u>(119,924)</u>	<u>841,609</u>	<u>143,931</u>
Total other long-term obligations	<u>3,267,306</u>	<u>29,477</u>	<u>(284,674)</u>	<u>3,012,109</u>	<u>310,681</u>
Total governmental activities	<u>\$ 10,770,601</u>	<u>\$ 66,740</u>	<u>\$ (604,674)</u>	<u>\$ 10,232,667</u>	<u>\$ 640,681</u>

Compensated Absences: Compensated absences will be paid from the fund from which the employees' salaries are paid, which is primarily the general fund.

OASBO Lease Purchase Agreement: During fiscal year 2005, the District entered into a lease-purchase agreement, in the amount of \$2,044,000, with the Ohio Association of School Business Officials' (OASBO) Expanded Asset Pooled Financing Program to finance the cost of new athletic and bus facilities. The annual payments are made from the general fund. At June 30, 2008, the District had outstanding borrowings of \$1,913,000.

Capital assets consisting of buildings have been recorded in the amount of \$2,271,836. A corresponding liability is recorded on the statement of net assets. Accumulated depreciation as of June 30, 2008 was \$283,980, leaving a current book value of \$1,987,856.

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

The following is a summary of the future debt service requirements to maturity for the lease purchase agreement:

Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 38,000	\$ 101,827	\$ 139,827
2010	39,000	100,287	139,287
2011	41,000	98,610	139,610
2012	43,000	96,778	139,778
2013	45,000	94,793	139,793
2014 - 2018	259,000	435,506	694,506
2019 - 2023	334,000	353,556	687,556
2024 - 2028	431,000	248,944	679,944
2029 - 2033	554,000	114,467	668,467
2034	<u>129,000</u>	<u>3,541</u>	<u>132,541</u>
Total	<u>\$ 1,913,000</u>	<u>\$ 1,648,309</u>	<u>\$ 3,561,309</u>

Tax Anticipation Note: During fiscal year 2006, the District issued a tax anticipation note in the amount of \$515,000. The note bears an interest rate of 4.71% and was obtained through Sky Bank. The proceeds were used to finance renovations to the sports complex.

The note is a general obligation of the District for which full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the government-wide financial statements. Payments of principal and interest relating to this liability are recorded as an expenditure in the debt service fund.

The following is a summary of the District's future annual debt service requirements to maturity for the note:

Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 128,750	\$ 9,231	\$ 137,981
2010	<u>128,750</u>	<u>3,083</u>	<u>131,833</u>
Total	<u>\$ 257,500</u>	<u>\$ 12,314</u>	<u>\$ 269,814</u>

General Obligation Bonds: During fiscal year 2002, the District issued general obligation bonds to provide funds for the construction of one new combination building to house grades 3 thru 12; abandon allowance for demolishing and abating Leavitt and Vaughan elementaries and LaBrae High schools ("Construction Project"). These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for on the statement of net assets. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund. The source of payment is derived from a current 5.4 mill bonded debt tax levy for the Construction Project.

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The bond issue is comprised of both current interest bonds, par value \$8,695,000, and capital appreciation bonds, par value \$213,994. The average interest rate on the current interest bonds is 4.95%. The capital appreciation bonds mature on December 1, 2015 (effective interest 10.548%) and December 1, 2016 (effective interest 10.548%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$870,000. Total accreted interest of \$176,564 has been included in the statement of net assets at June 30, 2007. The current interest bonds maturing on or after December 1, 2013 are subject to early redemption at the sole option of the District, at the following redemption prices, plus accrued interest:

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2024.

The following is a summary of the future debt service requirements to maturity for the general obligation bonds:

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 330,000	\$ 310,215	\$ 640,215	\$ -	\$ -	\$ -
2010	340,000	297,648	637,648	-	-	-
2011	355,000	284,003	639,003	-	-	-
2012	370,000	269,133	639,133	-	-	-
2013	385,000	253,085	638,085	-	-	-
2014 - 2018	1,250,000	1,069,144	2,319,144	213,994	656,006	870,000
2019 - 2023	2,510,000	645,215	3,155,215	-	-	-
2024 - 2025	<u>1,290,000</u>	<u>67,750</u>	<u>1,357,750</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,830,000</u>	<u>\$ 3,196,193</u>	<u>\$ 10,026,193</u>	<u>\$ 213,994</u>	<u>\$ 656,006</u>	<u>\$ 870,000</u>

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2007, are a voted debt margin of \$3,455,487 (including available funds of \$262,255) and an unvoted debt margin of \$113,747.

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 10 - COMPENSATED ABSENCES

The criteria for determining 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 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 District has determined that available vacation leave is subject to accrual based upon the vacation leave balances at June 30.

The Superintendent, Treasurer and Administrative Assistant shall be paid a salary based on 224 working days. If it becomes necessary for the Superintendent and Treasurer to work more than 224 days, they will be compensated based at a per diem rate for each additional day worked, not to exceed 15 days. However, they will not be additionally compensated for unused vacation pay. The Administrative Assistant is not eligible to be compensated for additional days worked.

Only administrative and support personnel who are under a full year contract (260 days) are eligible for vacation time.

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

Sick Leave - Each employee earns sick leave at a 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 450 days for classified employees and 465 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 (vested). An analysis of all employees has been made to determine those with 15 or more years of service or 60 or older. Severance pay shall be a one-time lump sum payment under either of the following provisions: (1) the employee retires from the school system. To receive additional benefits as calculated below, the employee must have been employed by the District for 7 or more years; or (2) the employee resigns with 15 or more years of service to the District. Severance for both certified and classified employees is as follows: 25% of accumulated days, up to a maximum of 100 days.

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 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 \$3,000,000 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 \$37,198,440.

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

B. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan'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 Plan to cover the costs of administering the program.

The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of this grouping and representation with other participants in the Plan. The workers' compensation experience for the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the state based on the rate for Plan rather than its individual rate. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of Gates, McDonald & Company provides administrative, cost control and actuarial services to the Plan.

C. Shared Risk Pool

The District participates in the Trumbull County Schools Insurance Employee Benefit Consortium. This is a shared risk pool comprised of 16 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 service as the Board of Directors. The assembly exercises control over the operation of the Consortium. Consortium revenues are generated from charges for services.

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

Plan Description - 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 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 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$117,858, \$122,999 and \$123,223, respectively; 49.46 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 12 - PENSION PLANS - (Continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$811,157, \$783,889, and \$761,190, respectively; 82.91 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$19,315 made by the District and \$13,167 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$78,579, \$65,899, and \$67,703, respectively; 49.46 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$8,492, \$8,364, and \$9,808, respectively; 49.46 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$62,397, \$60,299, and \$58,553, respectively; 82.91 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures, and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transfers (budget basis) as opposed to balance sheet transactions (GAAP basis); and
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ (617,068)
Net adjustment for revenue accruals	(55,364)
Net adjustment for expenditure accruals	160,572
Net adjustment for other sources/(uses)	(221,070)
Adjustments for encumbrances	86,469
GAAP basis	\$ (646,461)

NOTE 15 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

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.

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 16 - STATUTORY RESERVES

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside balance as of June 30, 2007	\$ (73,854)	\$ -	\$ 46,436
Current year set-aside requirement	248,322	248,322	-
Current year off-sets	-	(396,000)	-
Qualifying disbursements	<u>(249,682)</u>	<u>(146,840)</u>	<u>-</u>
Total	<u>\$ (75,214)</u>	<u>\$ (294,518)</u>	<u>\$ 46,436</u>
Balance carried forward to FY 2009	<u>\$ (75,214)</u>	<u>\$ -</u>	<u>\$ 46,436</u>
Total restricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,436</u>

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the textbook/instructional materials reserve, this extra amount may be used to reduce the set-aside requirement for future years. The negative amount is therefore presented as being carried forward to the next fiscal year.

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carrier forward to the next fiscal year.

A schedule of the governmental fund restricted assets at June 30, 2008 follows:

Amount restricted for budget stabilization	<u>\$ 46,436</u>
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LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through The Ohio Department of Education.</i>						
Food Distribution Program		10.550		\$42,273		\$35,331
<i>Nutrition Cluster:</i>						
National School Breakfast Program		10.553	\$121,300		\$121,300	
National School Lunch Program		10.555	312,579		312,579	
<i>Subtotal - Nutrition Cluster</i>			<u>433,879</u>		<u>433,879</u>	
Fresh Fruit and Vegetable Program		10.582	54,436		54,436	
Total U.S. Department of Agriculture			<u>488,315</u>	<u>42,273</u>	<u>488,315</u>	<u>35,331</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through The Ohio Department of Education.</i>						
Title 1 - Grants to Local Educational Agencies	84.010	C1-S1-07	65,000		43,886	
		C1-S1-08	278,207		270,471	
<i>Subtotal - CFDA 84.010</i>			<u>343,207</u>		<u>314,357</u>	
<i>Special Education Grants Cluster:</i>						
Title VI - B Special Education Grants to States (IDEA Part B)	84.027	6B-SF-2007	47,022		39,403	
		6B-SF-2008	349,665		346,957	
<i>Subtotal - Special Education Grants Cluster</i>			<u>396,687</u>		<u>386,360</u>	
Safe and Drug Free Schools Grant	84.186	DR-S1-2008	7,090		7,090	
Title V - Innovative Education Program Strategies	84.298	CS-S1-2008	3,701		3,701	
Title II-D - Technology Literacy Quality State Grant	84.318	TJ-S1-2008	3,128		3,128	
Title II-A - Improving Teacher Quality State Grant	84.367	TR-S1-2008	101,174		101,174	
Total -- U.S. Department of Education			<u>854,987</u>		<u>815,810</u>	
Totals			<u>\$1,343,302</u>	<u>\$42,273</u>	<u>\$1,304,125</u>	<u>\$35,331</u>

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

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food versus food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.



Mary Taylor, CPA

Auditor of State

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

LaBrae Local School District
Trumbull County
1001 North Leavitt Road
Leavittsburg, Ohio 44430

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of LaBrae Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 15, 2010. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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

We intend this report solely for the information and use of the management, Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

January 15, 2010



Mary Taylor, CPA

Auditor of State

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

LaBrae Local School District
Trumbull County
1001 North Leavitt Road
Leavittsburg, Ohio 44430

To the Board of Education:

Compliance

We have audited the compliance of LaBrae Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the LaBrae Local School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

We intend this report solely for the information and use of the management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

January 15, 2010

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title 1 – Grants to Local Educational Agencies, CFDA No. 84.010 and Title II-A – Improving Teacher Quality State Grant, CFDA No. 84.367.
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	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



Mary Taylor, CPA
Auditor of State

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
MARCH 4, 2010