



Dave Yost • Auditor of State



**LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

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# Dave Yost • 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, 2011, 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.

As further described in Note 3 to the basic financial statements, the District restated its July 1, 2010 governmental fund balances due to changes in fund structure as a result of implementing Governmental Accounting Standards Board (GASB) Statement 54.

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, 2011, 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 November 21, 2011, 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.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the 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. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

November 21, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(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, 2011. 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 2011 are as follows:

- In total, net assets of governmental activities decreased \$529,283 which represents a 2.42% decrease from 2010.
- General revenues accounted for \$9,849,098 in revenue or 65.95% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,085,018 or 34.05% of total revenues of \$14,934,116.
- The District had \$15,463,399 in expenses related to governmental activities; only \$5,085,018 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 \$9,849,098 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 \$12,042,049 in revenues and \$11,213,140 in expenditures. During fiscal year 2011, the general fund's fund balance increased \$830,849 from a restated beginning balance of \$1,408,302 to \$2,239,151.
- The debt service fund is a major fund of the District. The debt service fund had \$642,321 in revenues and \$651,383 in expenditures. During fiscal year 2011, the debt service fund's fund balance decreased \$9,062 from \$186,977 to \$177,915.
- The classroom facilities fund is a major fund of the District. The classroom facilities fund had \$2,267 in revenues and no expenditures. During fiscal year 2011, the classroom facilities fund's fund balance increased \$2,267 from \$3,036,958 to \$3,039,225.

**Using the 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, 2011  
(UNAUDITED)

**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 2011?" 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, 2011  
(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 23-53 of this report.

**The District as a Whole**

The table below provides a summary of the District's net assets at June 30, 2011 and June 30, 2010.

	<b>Net Assets</b>	
	Governmental Activities 2011	Governmental Activities 2010
	<u>                    </u>	<u>                    </u>
<b><u>Assets</u></b>		
Current and other assets	\$ 12,733,321	\$ 12,332,983
Capital assets, net	<u>23,139,932</u>	<u>24,090,853</u>
Total assets	<u>35,873,253</u>	<u>36,423,836</u>
<b><u>Liabilities</u></b>		
Current liabilities	5,831,932	5,314,182
Long-term liabilities	<u>8,698,749</u>	<u>9,237,799</u>
Total liabilities	<u>14,530,681</u>	<u>14,551,981</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	15,325,938	15,880,859
Restricted	4,019,089	4,285,780
Unrestricted	<u>1,997,545</u>	<u>1,705,216</u>
Total net assets	<u>\$ 21,342,572</u>	<u>\$ 21,871,855</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$21,342,572.

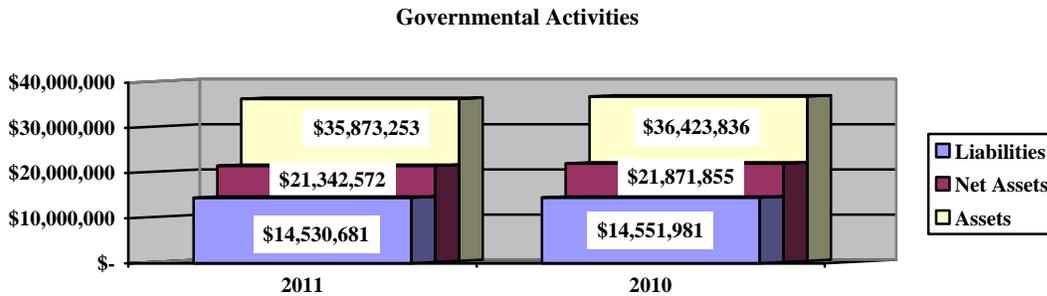
At fiscal year-end, capital assets represented 64.50% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, infrastructure and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$15,325,938. These 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

A portion of the District's net assets, \$4,019,089, represents resources that are subject to external restriction on how they may be used. Of this total, \$3,367,379 is restricted for capital projects, \$177,915 is restricted for debt service and \$46,436 is restricted for other purposes.

The graph below illustrates the governmental activities assets, liabilities and net assets at June 30, 2011 and 2010:



The table below shows the change in net assets for fiscal years 2011 and 2010.

**Change in Net Assets**

	Governmental Activities 2011	Governmental Activities 2010
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 1,697,996	\$ 1,699,629
Operating grants and contributions	3,387,022	2,024,241
General revenues:		
Property taxes	2,306,852	3,511,916
Grants and entitlements	7,468,886	8,258,667
Investment earnings	15,669	23,216
Miscellaneous	57,691	18,934
Total revenues	<u>14,934,116</u>	<u>15,536,603</u>

During fiscal year 2011 operating grants and contributions increased 67.32% primarily due to an increase in grants related to education jobs and education stabilization. Tax revenues decreased due to a decrease in the collection of real estate and personal property taxes during the year. Revenues related to grants and entitlements decreased due to a decrease in State foundation revenues. All other revenues are comparable to the prior year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

**Change in Net Assets**

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 6,800,005	\$ 6,654,041
Special	1,665,537	1,556,018
Vocational	53,022	89,802
Adult education	476	1,365
Other	561,590	476,250
Support services:		
Pupil	777,023	748,232
Instructional staff	296,716	289,327
Board of education	52,298	44,424
Administration	1,161,242	1,106,376
Fiscal	349,373	365,312
Operations and maintenance	1,433,631	1,643,338
Pupil transportation	600,458	612,215
Central	110,937	113,992
Operation of non-instructional services:		
Food service operations	665,458	697,527
Other non-instructional services	3,800	3,473
Extracurricular activities	500,119	503,560
Interest and fiscal charges	<u>431,714</u>	<u>444,670</u>
Total expenses	<u>15,463,399</u>	<u>15,349,922</u>
Change in net assets	(529,283)	186,681
Net assets at beginning of year	<u>21,871,855</u>	<u>21,685,174</u>
Net assets at end of year	<u>\$ 21,342,572</u>	<u>\$ 21,871,855</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$529,283. Total governmental expenses of \$15,463,399 were offset by program revenues of \$5,085,018 and general revenues of \$9,849,098. Program revenues supported 32.88% 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 65.46% of total governmental revenue.

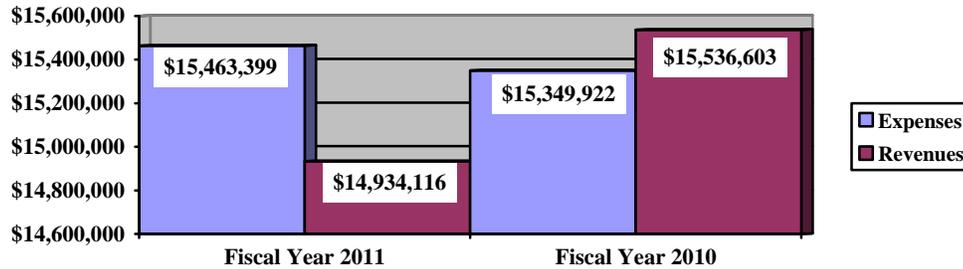
The largest expense of the District is for instructional programs. Instruction expenses totaled \$9,080,630 or 58.72% of total governmental expenses for fiscal year 2011.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

The graph that follows presents the District's governmental activities revenue and expenses for fiscal years 2011 and 2010.

**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 <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 6,800,005	\$ 4,972,025	\$ 6,654,041	\$ 5,318,892
Special	1,665,537	289,625	1,556,018	838,485
Vocational	53,022	16,432	89,802	53,484
Adult education	476	476	1,365	1,365
Other	561,590	472,066	476,250	391,293
Support services:				
Pupil	777,023	695,623	748,232	657,202
Instructional staff	296,716	229,231	289,327	207,393
Board of education	52,298	34,283	44,424	40,043
Administration	1,161,242	894,857	1,106,376	850,087
Fiscal	349,373	349,373	365,312	364,077
Operations and maintenance	1,433,631	1,002,368	1,643,338	1,362,787
Pupil transportation	600,458	527,457	612,215	589,329
Central	110,937	105,937	113,992	108,992
Operation of non-instructional services				
Food service operations	665,458	(35,668)	697,527	(6,601)
Other non-instructional services	3,800	2,897	3,473	1,112
Extracurricular activities	500,119	389,685	503,560	403,442
Interest and fiscal charges	431,714	431,714	444,670	444,670
<b>Total expenses</b>	<b>\$ 15,463,399</b>	<b>\$ 10,378,381</b>	<b>\$ 15,349,922</b>	<b>\$ 11,626,052</b>

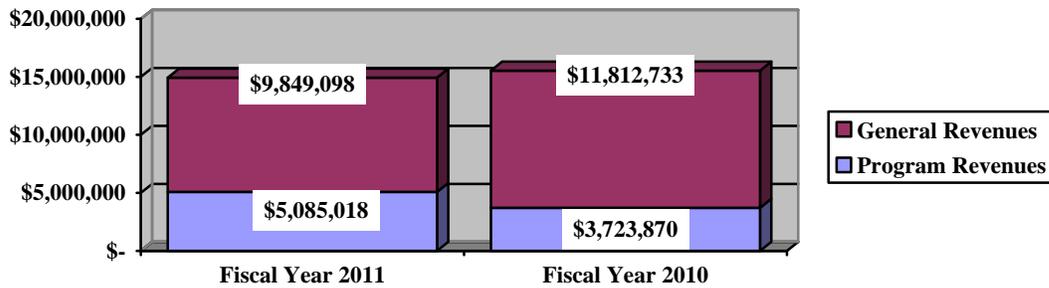
**LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 63.34% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 67.12%. 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 2011 and 2010.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$6,188,305, which is a higher balance than last year's total restated balance of \$5,301,767 (as described in Note 3B). The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010.

	Fund Balance <u>June 30, 2011</u>	Restated Fund Balance <u>June 30, 2010</u>	Increase/ <u>(Decrease)</u>
General	\$ 2,239,151	\$ 1,408,302	\$ 830,849
Debt service	177,915	186,977	(9,062)
Classroom facilities	3,039,225	3,036,958	2,267
Other governmental	<u>732,014</u>	<u>669,530</u>	<u>62,484</u>
Total	<u>\$ 6,188,305</u>	<u>\$ 5,301,767</u>	<u>\$ 886,538</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

***General Fund***

The District's general fund's fund balance increased \$830,849 from a restated balance of \$1,408,302 to a balance of \$2,239,151. The table that follows assists in illustrating the financial activities of the general fund.

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Increase/ (Decrease)	Percentage <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 2,399,122	\$ 2,496,548	\$ (97,426)	(3.90) %
Tuition	1,212,643	1,193,534	19,109	1.60 %
Earnings on investments	13,756	18,778	(5,022)	(26.74) %
Intergovernmental	8,160,950	8,170,078	(9,128)	(0.11) %
Other revenues	<u>255,578</u>	<u>244,559</u>	<u>11,019</u>	4.51 %
Total	<u>\$ 12,042,049</u>	<u>\$ 12,123,497</u>	<u>\$ (81,448)</u>	(0.67) %
<b><u>Expenditures</u></b>				
Instruction	\$ 7,306,024	\$ 7,493,376	\$ (187,352)	(2.50) %
Support services	3,495,980	3,597,790	(101,810)	(2.83) %
Operation of non-instructional services	2,788	2,748	40	1.46 %
Extracurricular activities	249,281	258,229	(8,948)	(3.47) %
Facilities acquisition and construction	19,457	152,381	(132,924)	(87.23) %
Debt service	<u>139,610</u>	<u>139,287</u>	<u>323</u>	0.23 %
Total	<u>\$ 11,213,140</u>	<u>\$ 11,643,811</u>	<u>\$ (430,671)</u>	(3.70) %

A reduction in investable funds has resulted in a decrease in interest revenue of 26.74%. Facilities acquisition and construction expenditures decreased by 87.23%, in 2011 due to a decrease in building maintenance and other non capitalized assets purchased in the general fund. Budgetary controls led to a decrease in instruction and support services of 2.50% and 2.83%, respectively. All other revenues and expenditures are comparable to the prior year.

***Debt Service Fund***

The debt service fund is a major fund of the District. The debt service fund had \$642,321 in revenues and \$651,383 in expenditures. During fiscal year 2011, the debt service fund's fund balance decreased \$9,062 from \$186,977 to \$177,915.

***Classroom Facilities Fund***

The classroom facilities fund is a major fund of the District. The classroom facilities fund had \$2,267 in revenues and no expenditures. During fiscal year 2011, the classroom facilities fund's fund balance increased \$2,267 from \$3,036,958 to \$3,039,225.

***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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

During the course of fiscal year 2011, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$12,271,946, which were the same as the original budgeted revenues. Actual revenues and other financing sources for fiscal year 2011 was \$12,117,132. This represents a \$154,814 decrease from final budgeted revenues.

General fund final appropriations (appropriated expenditures plus other financing uses) were \$12,569,436, which was higher than the original budgeted appropriations estimate of \$12,567,536. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$11,319,369, which was \$1,250,067 less than the final budget appropriations.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2011, the District had \$23,139,932 invested in land, land improvements, buildings and improvements, furniture and equipment, infrastructure and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2011 balances compared to June 30, 2010.

	<b>Capital Assets at June 30</b>	
	<b>(Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 257,591	\$ 257,591
Land improvements	2,168,037	2,317,557
Buildings and improvements	19,750,915	20,515,629
Furniture and equipment	753,727	828,993
Infrastructure	11,225	-
Vehicles	<u>198,437</u>	<u>171,083</u>
Total	<u>\$ 23,139,932</u>	<u>\$ 24,090,853</u>

The overall decrease in capital assets of \$950,921 is due to depreciation expense of \$1,058,742 and disposals (net of accumulated depreciation) of \$416 exceeding capital outlays of \$108,237.

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

*Debt Administration*

At June 30, 2011, the District had \$6,332,627 in general obligation bonds and \$1,795,000 in a lease-purchase agreement outstanding. Of this total, \$413,000 is due within one year and \$7,714,627 is due in greater than one year. The following table summarizes the bonds and lease purchase agreement outstanding.

	<b>Outstanding Debt, at Year End</b>	
	Governmental	Governmental
	Activities	Activities
	<u>2011</u>	<u>2010</u>
General obligation bonds	\$ 6,332,627	\$ 6,637,287
Lease purchase agreement	<u>1,795,000</u>	<u>1,836,000</u>
Total	<u>\$ 8,127,627</u>	<u>\$ 8,473,287</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

At June 30, 2011, the District's overall legal debt margin was \$4,399,676 and an unvoted debt margin of \$113,786.

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

**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 \$3,540,905 at June 30, 2011. 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 2008 when the community renewed 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 education in the State budget. The biennial budget approved in the State for fiscal years 2006 and 2008 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.

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, 2011

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . .	\$ 4,990,408
Investments . . . . .	2,639,937
Receivables:	
Taxes . . . . .	4,966,234
Accounts . . . . .	1,800
Intergovernmental . . . . .	68,000
Accrued interest . . . . .	3,301
Prepayments . . . . .	34,839
Materials and supplies inventory . . . . .	28,802
Capital assets:	
Land . . . . .	257,591
Depreciable capital assets, net . . . . .	22,882,341
Total capital assets, net . . . . .	<u>23,139,932</u>
 Total assets . . . . .	 <u>35,873,253</u>
 <b>Liabilities:</b>	
Accounts payable . . . . .	13,201
Accrued wages and benefits . . . . .	1,246,886
Pension obligation payable . . . . .	278,916
Intergovernmental payable . . . . .	53,465
Accrued interest payable . . . . .	22,428
Unearned revenue . . . . .	4,217,036
Long-term liabilities:	
Due within one year . . . . .	433,155
Due in more than one year . . . . .	8,265,594
 Total liabilities . . . . .	 <u>14,530,681</u>
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt . . . . .	15,325,938
Restricted for:	
Capital projects . . . . .	3,367,379
Debt service . . . . .	177,915
Classroom facilities maintenance . . . . .	149,212
Federally funded programs . . . . .	13,841
Student activities . . . . .	20,737
Food service operations . . . . .	243,569
Other purposes . . . . .	46,436
Unrestricted . . . . .	<u>1,997,545</u>
 Total net assets . . . . .	 <u>\$ 21,342,572</u>

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, 2011

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 6,800,005	\$ 1,314,501	\$ 513,479	\$ (4,972,025)
Special . . . . .	1,665,537	23,097	1,352,815	(289,625)
Vocational . . . . .	53,022	-	36,590	(16,432)
Adult education . . . . .	476	-	-	(476)
Other . . . . .	561,590	-	89,524	(472,066)
Support services:				
Pupil . . . . .	777,023	-	81,400	(695,623)
Instructional staff . . . . .	296,716	-	67,485	(229,231)
Board of education . . . . .	52,298	18,015	-	(34,283)
Administration . . . . .	1,161,242	-	266,385	(894,857)
Fiscal . . . . .	349,373	-	-	(349,373)
Operations and maintenance . . . . .	1,433,631	50,215	381,048	(1,002,368)
Pupil transportation . . . . .	600,458	-	73,001	(527,457)
Central . . . . .	110,937	-	5,000	(105,937)
Operation of non-instructional services:				
Food service operations . . . . .	665,458	183,809	517,317	35,668
Other non-instructional services . . . . .	3,800	-	903	(2,897)
Extracurricular activities . . . . .	500,119	108,359	2,075	(389,685)
Interest and fiscal charges . . . . .	431,714	-	-	(431,714)
Totals . . . . .	<u>\$ 15,463,399</u>	<u>\$ 1,697,996</u>	<u>\$ 3,387,022</u>	<u>(10,378,381)</u>

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	1,717,183
Debt service . . . . .	414,063
Facilities maintenance . . . . .	31,167
Capital outlay . . . . .	144,439
Grants and entitlements not restricted to specific programs . . . . .	7,468,886
Investment earnings . . . . .	15,669
Miscellaneous . . . . .	57,691
Total general revenues . . . . .	<u>9,849,098</u>
Change in net assets . . . . .	(529,283)
<b>Net assets at beginning of year . . . . .</b>	<u>21,871,855</u>
<b>Net assets at end of year . . . . .</b>	<u>\$ 21,342,572</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents. . . . .	\$ 3,494,469	\$ 173,450	\$ 399,288	\$ 876,765	\$ 4,943,972
Investments. . . . .	-	-	2,639,937	-	2,639,937
Receivables:					
Taxes . . . . .	3,916,781	704,199	-	345,254	4,966,234
Accounts . . . . .	1,224	-	-	576	1,800
Intergovernmental. . . . .	-	-	-	68,000	68,000
Accrued interest . . . . .	3,301	-	-	-	3,301
Interfund loans . . . . .	68,000	-	-	-	68,000
Prepayments. . . . .	28,371	-	-	6,468	34,839
Materials and supplies inventory. . . . .	8,319	-	-	20,483	28,802
Restricted assets:					
Equity in pooled cash and cash equivalents . . . . .	46,436	-	-	-	46,436
Total assets . . . . .	<u>\$ 7,566,901</u>	<u>\$ 877,649</u>	<u>\$ 3,039,225</u>	<u>\$ 1,317,546</u>	<u>\$ 12,801,321</u>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 4,320	\$ -	\$ -	\$ 8,881	\$ 13,201
Accrued wages and benefits. . . . .	1,121,293	-	-	125,593	1,246,886
Compensated absences payable . . . . .	17,803	-	-	-	17,803
Pension obligation payable . . . . .	244,599	-	-	34,317	278,916
Intergovernmental payable . . . . .	47,789	-	-	5,676	53,465
Interfund loans payable. . . . .	-	-	-	68,000	68,000
Deferred revenue . . . . .	566,045	101,769	-	49,895	717,709
Unearned revenue. . . . .	3,325,901	597,965	-	293,170	4,217,036
Total liabilities. . . . .	<u>5,327,750</u>	<u>699,734</u>	<u>-</u>	<u>585,532</u>	<u>6,613,016</u>
<b>Fund Balances:</b>					
Nonspendable:					
Materials and supplies inventory. . . . .	8,319	-	-	20,483	28,802
Prepays. . . . .	28,371	-	-	6,468	34,839
Restricted:					
Debt service . . . . .	-	177,915	-	-	177,915
Capital improvements . . . . .	-	-	3,039,225	328,154	3,367,379
Classroom facilities maintenance . . . . .	-	-	-	143,819	143,819
Food service operations . . . . .	-	-	-	222,011	222,011
Targeted academic assistance . . . . .	-	-	-	13,841	13,841
BWC refunds. . . . .	46,436	-	-	-	46,436
Extracurricular. . . . .	-	-	-	20,737	20,737
Assigned:					
Student instruction . . . . .	6,513	-	-	-	6,513
Student and staff support. . . . .	45,177	-	-	-	45,177
Uniform school supplies . . . . .	1,974	-	-	-	1,974
Other purposes. . . . .	185,440	-	-	-	185,440
Unassigned (deficit). . . . .	1,916,921	-	-	(23,499)	1,893,422
Total fund balances . . . . .	<u>2,239,151</u>	<u>177,915</u>	<u>3,039,225</u>	<u>732,014</u>	<u>6,188,305</u>
Total liabilities and fund balances . . . . .	<u>\$ 7,566,901</u>	<u>\$ 877,649</u>	<u>\$ 3,039,225</u>	<u>\$ 1,317,546</u>	<u>\$ 12,801,321</u>

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, 2011

<b>Total governmental fund balances</b>		\$ 6,188,305
<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.		23,139,932
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 717,709	
Total		717,709
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(22,428)
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	(6,332,627)	
Compensated absences	(553,319)	
Lease-purchase agreement	(1,795,000)	
Total		(8,680,946)
<b>Net assets of governmental activities</b>		<u>\$ 21,342,572</u>

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, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$ 2,399,122	\$ 545,958	\$ -	\$ 217,971	\$ 3,163,051
Tuition . . . . .	1,212,643	-	-	-	1,212,643
Earnings on investments . . . . .	13,756	-	2,267	-	16,023
Charges for services . . . . .	-	-	-	183,809	183,809
Classroom materials and fees . . . . .	29,941	-	-	-	29,941
Extracurricular . . . . .	90,472	-	-	105,019	195,491
Rental income . . . . .	50,215	-	-	-	50,215
Contributions and donations . . . . .	13,302	-	-	2,075	15,377
Contract services . . . . .	4,000	-	-	-	4,000
Other local revenues . . . . .	67,648	-	-	3,340	70,988
Intergovernmental - state . . . . .	8,160,950	96,363	-	53,623	8,310,936
Intergovernmental - federal . . . . .	-	-	-	2,565,301	2,565,301
Total revenues . . . . .	<u>12,042,049</u>	<u>642,321</u>	<u>2,267</u>	<u>3,131,138</u>	<u>15,817,775</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	5,799,151	-	-	523,802	6,322,953
Special . . . . .	993,313	-	-	622,452	1,615,765
Vocational . . . . .	51,822	-	-	-	51,822
Adult education . . . . .	476	-	-	-	476
Other . . . . .	461,262	-	-	100,328	561,590
Support services:					
Pupil . . . . .	666,704	-	-	86,470	753,174
Instructional staff . . . . .	138,820	-	-	74,085	212,905
Board of education . . . . .	52,298	-	-	-	52,298
Administration . . . . .	842,555	-	-	269,028	1,111,583
Fiscal . . . . .	296,714	12,380	-	4,944	314,038
Operations and maintenance . . . . .	855,084	-	-	474,814	1,329,898
Pupil transportation . . . . .	541,070	-	-	76,064	617,134
Central . . . . .	102,735	-	-	5,000	107,735
Operation of non-instructional services:					
Food service operations . . . . .	-	-	-	671,148	671,148
Other non-instructional revenues . . . . .	2,788	-	-	1,012	3,800
Extracurricular activities . . . . .	249,281	-	-	102,091	351,372
Facilities acquisition and construction . . . . .	19,457	-	-	67,793	87,250
Debt service:					
Principal retirement . . . . .	41,000	355,000	-	-	396,000
Interest and fiscal charges . . . . .	98,610	284,003	-	-	382,613
Total expenditures . . . . .	<u>11,213,140</u>	<u>651,383</u>	<u>-</u>	<u>3,079,031</u>	<u>14,943,554</u>
Net change in fund balances . . . . .	828,909	(9,062)	2,267	52,107	874,221
<b>Fund balances at beginning of year (restated).</b>	1,408,302	186,977	3,036,958	669,530	5,301,767
<b>Increase in reserve for inventory . . . . .</b>	1,940	-	-	10,377	12,317
<b>Fund balances at end of year . . . . .</b>	<u>\$ 2,239,151</u>	<u>\$ 177,915</u>	<u>\$ 3,039,225</u>	<u>\$ 732,014</u>	<u>\$ 6,188,305</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, 2011

<b>Net change in fund balances - total governmental funds</b>	\$	874,221
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.		
Capital outlay	\$ 108,237	
Current year depreciation	(1,058,742)	
Total		(950,505)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(416)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		12,317
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Tax revenue	(856,199)	
Interest revenue	(354)	
Intergovernmental revenue	(27,106)	
Total		(883,659)
Repayment of bond and capital lease-purchase principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. Principal payments during the year were:		
Bonds	355,000	
Lease-purchase	41,000	
Total		396,000
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:		
Decrease in accrued interest payable	1,239	
Accreted interest on capital appreciation bonds	(50,340)	
Total		(49,101)
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.		
		71,860
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>(529,283)</b>

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,658,596	\$ 2,658,596	\$ 2,406,753	\$ (251,843)
Tuition . . . . .	1,194,000	1,194,000	1,212,643	18,643
Earnings on investments . . . . .	16,000	16,000	15,297	(703)
Classroom materials and fees . . . . .	15,000	15,000	15,818	818
Rental income . . . . .	50,000	50,000	50,215	215
Contributions and donations . . . . .	4,400	4,400	8,600	4,200
Contract services . . . . .	-	-	4,000	4,000
Other local revenues . . . . .	18,000	18,000	60,939	42,939
Intergovernmental - state . . . . .	8,110,950	8,110,950	8,161,977	51,027
Total revenues . . . . .	<u>12,066,946</u>	<u>12,066,946</u>	<u>11,936,242</u>	<u>(130,704)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	6,162,937	6,177,437	5,799,110	378,327
Special . . . . .	1,120,700	1,100,600	1,017,589	83,011
Vocational . . . . .	86,305	80,805	51,207	29,598
Adult education . . . . .	-	-	476	(476)
Other . . . . .	424,096	464,096	463,854	242
Support services:				
Pupil . . . . .	691,012	689,512	668,491	21,021
Instructional staff . . . . .	141,751	146,751	138,801	7,950
Board of education . . . . .	40,995	65,995	58,143	7,852
Administration . . . . .	1,135,370	1,111,370	831,595	279,775
Fiscal . . . . .	294,795	304,795	297,459	7,336
Operations and maintenance . . . . .	1,251,375	1,176,875	861,426	315,449
Pupil transportation . . . . .	590,750	602,950	541,312	61,638
Central . . . . .	107,500	104,500	102,735	1,765
Operation of non-instructional services . . . . .	2,950	4,950	1,765	3,185
Extracurricular activities . . . . .	268,390	276,890	258,339	18,551
Facilities acquisition and construction . . . . .	9,000	22,300	19,457	2,843
Debt service:				
Principal retirement . . . . .	41,000	41,000	41,000	-
Interest and fiscal charges . . . . .	98,610	98,610	98,610	-
Total expenditures . . . . .	<u>12,467,536</u>	<u>12,469,436</u>	<u>11,251,369</u>	<u>1,218,067</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(400,590)</u>	<u>(402,490)</u>	<u>684,873</u>	<u>1,087,363</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	50,000	50,000	45,890	(4,110)
Advances in . . . . .	135,000	135,000	135,000	-
Advances (out) . . . . .	(100,000)	(100,000)	(68,000)	32,000
Sale of capital assets . . . . .	20,000	20,000	-	(20,000)
Total other financing sources (uses) . . . . .	<u>105,000</u>	<u>105,000</u>	<u>112,890</u>	<u>7,890</u>
Net change in fund balance . . . . .	(295,590)	(297,490)	797,763	1,095,253
<b>Fund balance at beginning of year (restated).</b>	2,383,171	2,383,171	2,383,171	-
<b>Prior year encumbrances appropriated . . . . .</b>	21,928	21,928	21,928	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 2,109,509</u>	<u>\$ 2,107,609</u>	<u>\$ 3,202,862</u>	<u>\$ 1,095,253</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LABRAE LOCAL SCHOOL DISTRICT**  
**TRUMBULL COUNTY, OHIO**  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2011

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Current assets:		
Equity in pooled cash and cash equivalents. . . . .	\$ 2,798	\$ 31,667
Total assets . . . . .	<u>2,798</u>	<u>31,667</u>
<b>Liabilities:</b>		
Due to students. . . . .	-	\$ 31,667
Total liabilities . . . . .	<u>-</u>	<u>31,667</u>
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	<u>2,798</u>	
Total net assets . . . . .	<u>\$ 2,798</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Gifts and contributions. . . . .	\$ 50
Total additions. . . . .	50
<b>Deductions:</b>	
Scholarships awarded . . . . .	500
Change in net assets. . . . .	(450)
<b>Net assets at beginning of year . . . . .</b>	<b>3,248</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 2,798</b>

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, 2011

**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 349<sup>th</sup> largest by enrollment among the 918 school districts and community schools in the State. It currently operates 1 elementary school and 1 complex, that consist of 1 elementary, 1 middle and 1 high school. The District is staffed by 48 non-certified and 93 certified personnel to provide services to approximately 1,537 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) guidance issued on or before November 30, 1989, to its governmental activities provided it does 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 and component units. 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, food service 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 the 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. 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, 2011  
(CONTINUED)

**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 supports NEOMIN based upon a per pupil charge. The District contributed \$27,455 to NEOMIN for fiscal year 2011.

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 2011. 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 Association of School Business Officials 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 Association of School Business Officials Workers' Compensation Group Rating Plan (GRP) was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool.

**LABRAE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)

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

The Executive Director of the OASBO, or his designee, serves as coordinator of the GRP. Each year, the participating school district pays an enrollment fee to the GRP 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 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 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 and report all financial resources not accounted for and reported 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 that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)

**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, 2011  
(CONTINUED)

**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 Nonexchange 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, 2011, but which were levied to finance fiscal year 2012 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, 2011 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, 2011  
(CONTINUED)

**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 the 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 July 1, 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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)

**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 2011, investments were limited to a repurchase agreement, nonnegotiable certificates of deposits, U.S. Government money market mutual funds and investments in the State Treasurer's Asset Reserve of Ohio (STAR Ohio). 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.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2011.

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 2011 amounted to \$13,756, which includes \$7,013 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)

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

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

**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 nonspendable fund balance 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. 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:

<u>Description</u>	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
Infrastructure	50 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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)

**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 payments 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 nonspendable by an amount equal to the carrying value of the asset on the fund financial statements.

**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.

**LABRAE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)

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

**M. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

*Restricted* - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)

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

**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**

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish budget stabilization. These restricted assets are required by State statute. A schedule of statutory set-asides is presented in Note 17.

**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 2011.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

**LABRAE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Fund Reclassifications**

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$ 1,358,094	\$ 186,977	\$ 3,036,958	\$ 719,738	\$ 5,301,767
Fund reclassifications:					
Uniform school supplies fund	3,919	-	-	(3,919)	-
Public school support fund	<u>46,289</u>	<u>-</u>	<u>-</u>	<u>(46,289)</u>	<u>-</u>
Total fund reclassifications	<u>50,208</u>	<u>-</u>	<u>-</u>	<u>(50,208)</u>	<u>-</u>
Restated fund balance at July 1, 2010	<u>\$ 1,408,302</u>	<u>\$ 186,977</u>	<u>\$ 3,036,958</u>	<u>\$ 669,530</u>	<u>\$ 5,301,767</u>

The fund reclassifications did not have an effect on net assets as previously reported.

**C. Budgetary Prior Period Adjustment**

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. The District has elected to report only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at June 30, 2010 is as follows:

**Budgetary Basis**

	<u>General Fund</u>
Balance at June 30, 2010	\$ 2,652,188
Funds budgeted elsewhere	<u>(269,017)</u>
Restated balance at July 1, 2010	<u>\$ 2,383,171</u>

**LABRAE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**D. Deficit Fund Balances**

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
IDEA Part B grants	\$ 5,808
Improving teacher quality	17,691

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 resulted from adjustments for accrued liabilities.

**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;

**LABRAE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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 (STAR 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.

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, 2011, the carrying amount of all District deposits was \$2,535,242. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$1,809,052 of the District's bank balance of \$2,560,112 was exposed to custodial risk as discussed below, while \$751,060 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Investments**

As of June 30, 2011, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
U.S. Government money market	\$ 2,639,937	\$ 2,639,937
Repurchase agreement	2,481,654	2,481,654
STAR Ohio	<u>7,977</u>	<u>7,977</u>
Total	<u>\$ 5,129,568</u>	<u>\$ 5,129,568</u>

*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 the federal agency securities that underlie the repurchase agreement, were rated AAA and Aaa by Standard and Poor's and Moody's Investor Services, respectively. STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The District's U.S. Government money market mutual funds carry a rating of AAAM by Standard and Poor's. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

*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. Of the District's \$2,481,654 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*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, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
U.S. Government money market	\$ 2,639,937	51.46
Repurchase agreement	2,481,654	48.38
STAR Ohio	<u>7,977</u>	<u>0.16</u>
Total	<u>\$ 5,129,568</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, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,535,242
Investments	<u>5,129,568</u>
Total	<u>\$ 7,664,810</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 7,630,345
Private-purpose trust fund	2,798
Agency fund	<u>31,667</u>
Total	<u>\$ 7,664,810</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund loans receivable/payable consisted of the following at June 30, 2011, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 68,000

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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 property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

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, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$24,835 in the general fund, \$4,465 in the debt service fund, \$1,825 in the permanent improvement capital projects fund (a nonmajor governmental fund) and \$364 in the classroom facilities fund. This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$32,466 in the general fund, \$6,079 in the debt service fund, \$1,936 in the permanent improvement capital projects fund (a nonmajor governmental fund) and \$465 in the classroom facilities fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2011 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.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 107,471,490	93.80	\$ 106,961,110	94.00
Public utility personal	6,716,020	5.86	6,825,060	6.00
Tangible personal property	<u>390,655</u>	<u>0.34</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 114,578,165</u>	<u>100.00</u>	<u>\$ 113,786,170</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$47.80		\$47.80	
Debt service	5.70		5.75	
Permanent improvements	3.00		3.00	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2011 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and accrued interest. 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	\$ 4,966,234
Accounts	1,800
Intergovernmental	68,000
Accrued interest	<u>3,301</u>
Total	<u>\$ 5,039,335</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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance <u>06/30/10</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/11</u>
<b>Governmental activities:</b>				
<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	24,849,595	-	-	24,849,595
Furniture and equipment	1,334,147	11,230	(37,900)	1,307,477
Infrastructure	-	11,300	-	11,300
Vehicles	948,441	85,707	-	1,034,148
Total capital assets, being depreciated	<u>30,166,582</u>	<u>108,237</u>	<u>(37,900)</u>	<u>30,236,919</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(716,842)	(149,520)	-	(866,362)
Buildings and improvements	(4,333,966)	(764,714)	-	(5,098,680)
Furniture and equipment	(505,154)	(86,080)	37,484	(553,750)
Infrastructure	-	(75)	-	(75)
Vehicles	(777,358)	(58,353)	-	(835,711)
Total accumulated depreciation	<u>(6,333,320)</u>	<u>(1,058,742)</u>	<u>37,484</u>	<u>(7,354,578)</u>
Governmental activities capital assets, net	<u>\$ 24,090,853</u>	<u>\$ (950,505)</u>	<u>\$ (416)</u>	<u>\$ 23,139,932</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 514,879
Special	54,613
Vocational	1,200
<u>Support services:</u>	
Pupil	44,743
Instructional staff	80,758
Administration	68,425
Fiscal	35,335
Operations and maintenance	37,966
Pupil transportation	60,416
Central	3,202
Extracurricular activities	148,747
Food service operations	8,458
Total depreciation expense	<u>\$ 1,058,742</u>

**LABRAE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)

**NOTE 9 - LONG-TERM OBLIGATIONS**

- A. During fiscal year 2011, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/10</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/11</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
<u>General obligation bonds:</u>					
Series 2002, improvement bonds					
Current interest bonds					
2.0% - 5.0%, 12/01/24 maturity	\$ 6,160,000	\$ -	\$ (355,000)	\$ 5,805,000	\$ 370,000
Capital appreciation bonds					
10.548% (average effective)					
06/01/15 and 06/01/16 maturity	213,994	-	-	213,994	-
Accreted interest	<u>263,293</u>	<u>50,340</u>	<u>-</u>	<u>313,633</u>	<u>-</u>
Total general obligation bonds payable	<u>6,637,287</u>	<u>50,340</u>	<u>(355,000)</u>	<u>6,332,627</u>	<u>370,000</u>
<u>Other long-term obligations:</u>					
OASBO lease-purchase agreement	1,836,000	-	(41,000)	1,795,000	43,000
Early retirement incentive	41,500	-	(41,500)	-	-
Compensated absences	<u>723,012</u>	<u>2,352</u>	<u>(154,242)</u>	<u>571,122</u>	<u>20,155</u>
Total other long-term obligations	<u>2,600,512</u>	<u>2,352</u>	<u>(236,742)</u>	<u>2,366,122</u>	<u>63,155</u>
Total governmental activities	<u>\$ 9,237,799</u>	<u>\$ 52,692</u>	<u>\$ (591,742)</u>	<u>\$ 8,698,749</u>	<u>\$ 433,155</u>

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

Early Retirement Incentive: See Note 10 for detail on the early retirement incentive.

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, 2011, the District had outstanding borrowings of \$1,795,000.

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, 2011 was \$624,755, leaving a current book value of \$1,647,081.

**LABRAE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)

**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 Year Ended	Principal	Interest	Total
2012	\$ 43,000	\$ 96,778	\$ 139,778
2013	45,000	94,793	139,793
2014	47,000	92,660	139,660
2015	49,000	90,164	139,164
2016	52,000	87,291	139,291
2017 - 2021	301,000	388,615	689,615
2022 - 2026	390,000	293,990	683,990
2027 - 2031	501,000	172,359	673,359
2032 - 2034	367,000	30,935	397,935
Total	<u>\$ 1,795,000</u>	<u>\$ 1,347,585</u>	<u>\$ 3,142,585</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 mil bonded debt tax levy for the Construction Project.

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 \$313,633 has been included in the statement of net assets at June 30, 2011. The current interest bonds maturing on or after December 1, 2013 are subject to early redemption at the sole option of the District 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

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

Fiscal Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 370,000	\$ 269,133	\$ 639,133	\$ -	\$ -	\$ -
2013	385,000	253,085	638,085	-	-	-
2014	400,000	236,007	636,007	-	-	-
2015	415,000	217,870	632,870	-	-	-
2016	-	208,533	208,533	112,369	322,631	435,000
2017 - 2021	1,870,000	868,574	2,738,574	101,625	333,375	435,000
2022 - 2025	<u>2,365,000</u>	<u>251,125</u>	<u>2,616,125</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,805,000</u>	<u>\$ 2,304,327</u>	<u>\$ 8,109,327</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 used 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, 2011, are a voted debt margin of \$4,399,676 (including available funds of \$177,915) and an unvoted debt margin of \$113,786.

**NOTE 10 - RETIREMENT INCENTIVE PLAN**

The District has implemented a retirement incentive plan for fiscal years 2009 and 2010. Phase one of the retirement incentive plan was entered into by employees during fiscal year 2009 and was paid during fiscal year 2010. An employee retiring under STRS Ohio and meeting the requirements under phase 2 of the plan may be entitled to a retirement incentive of \$10,000 if they submit their resignation by March 15, 2011. The employees will be paid the January following their resignation.

An employee retiring under SERS and meeting the requirements under phase 2 of the plan may be entitled to a retirement incentive of \$1,500 or \$750, depending on the hours worked per day, if they submit their resignation by March 15, 2010. The employees will be paid the January following their resignation.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - RETIREMENT INCENTIVE PLAN - (Continued)**

During fiscal year 2010, five employees elected to participate in phase two of the retirement incentive plan. These employees were paid during fiscal year 2011. At June 30, 2011, there was not an early retirement incentive liability.

**NOTE 11 - 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 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 and Treasurer 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.

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 480 days for classified employees and 510 days for certified employees.

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**NOTE 11 - COMPENSATED ABSENCES - (Continued)**

*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.

**NOTE 12 - RISK MANAGEMENT**

**A. Property and Liability**

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. During fiscal year 2011, the District has contracted for the following coverage through The Netherlands Insurance Company:

<u>Coverage</u>	<u>Coverage</u>
General liability:	
Each occurrence	\$ 1,000,000
General aggregate	2,000,000
Products	1,000,000
Medical expenses	15,000
Personal & advertising injury	1,000,000
Damages to rented premises, per occurrence	300,000
Automobile liability - each accident	1,000,000
Employee benefits liability:	
Each employee	1,000,000
Aggregate	3,000,000
School leader's error and omission liability:	
Each loss/aggregate	1,000,000
Sexual misconduct liability:	
Each loss/aggregate	1,000,000
Employers stop gap liability:	
Each accident/disease/employee	1,000,000
Aggregate	2,000,000
Commercial property coverage	39,281,846

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)

**NOTE 12 - RISK MANAGEMENT - (Continued)**

**B. Workers' Compensation**

For fiscal year 2011, the District participated in the OASBO/CompManagement, Inc. Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**C. Shared Risk Pool**

The District participates in the Trumbull County Schools Employee Insurance Benefit Consortium. This is a shared risk pool comprised of 16 Trumbull County school districts. The Consortium is governed by an assembly which consists on 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.

**NOTE 13 - 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, disability, survivor 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](http://www.ohsers.org), under "*Media/Financial Reports*".

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 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$161,797, \$170,215 and \$120,446, respectively; 56.86 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)

**NOTE 13 - PENSION PLANS - (Continued)**

**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 website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

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.

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 2011, 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, 2011, 2010 and 2009 were \$796,377, \$793,501 and \$776,080, respectively; 81.31 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$21,366 made by the District and \$15,261 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)

**NOTE 14 - 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "*Media/Financial Reports*".

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 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were \$46,444, \$32,738 and \$74,532, respectively; 56.86 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$10,412, \$10,122 and \$9,938, respectively; 56.86 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

**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](http://www.strsoh.org), under "Publications" 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 2011, 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, 2011, 2010 and 2009 were \$61,260, \$61,039 and \$59,698, respectively; 81.31 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**NOTE 15 - 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);
- (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 assigned or committed 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 transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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	\$ 797,763
Net adjustment for revenue accruals	(9,858)
Net adjustment for expenditure accruals	136,172
Net adjustment for other sources/uses	(112,890)
Funds budgeted elsewhere	(2,872)
Adjustment for encumbrances	20,594
GAAP basis	<u>\$ 828,909</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special rotary fund, the uniform school supplies fund and the public school support fund.

**NOTE 16 - 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, 2011  
(CONTINUED)

**NOTE 17 - SET-ASIDES**

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 fiscal year-end. These amounts must be carried forward to be used for the same purposes in future years.

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance June 30, 2010	\$ -	\$ -
Current year set-aside requirement	226,126	226,126
Contributions in excess of the current fiscal year set-aside requirement	-	-
Current year qualifying expenditures	(270,444)	(639,003)
Excess qualified expenditures from prior years	(101,250)	-
Current year offsets	-	-
Waiver granted by ODE	-	-
Prior year offset from bond proceeds	-	-
Total	<u>\$ (145,568)</u>	<u>\$ (412,877)</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside balance June 30, 2011	<u>\$ -</u>	<u>\$ -</u>

The District had qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amount to below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This negative balance is therefore not being presented as being carried forward to the future fiscal year. Although the District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years.

In addition to the above statutory set-asides, the District also has \$46,436 in restricted Bureau of Workers' Compensation (BWC) refunds. Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and restricted fund balance in the general fund since allowable expenditures are restricted by State statute.

A schedule of the restricted assets at June 30, 2011 follows:

Amount restricted for BWC refunds	<u>\$ 46,436</u>
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**LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)

**NOTE 18 - COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 5,537
Other governmental	<u>8,051</u>
	<u>\$ 13,588</u>

**NOTE 19 - SUBSEQUENT EVENTS**

On August 1, 2011, the District hired a new Superintendent, Anthony J. Calderone.

**LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Grant Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Expenditures</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
<i>Child Nutrition Cluster:</i>				
Non Cash Assistance (Food Distribution) National School Lunch Program	2011	10.555	\$54,517	\$54,517
National School Breakfast Program	2011	10.553	119,165	119,165
National School Lunch Program	2011	10.555	369,614	369,614
Summer Food Service Program for Children	2011	10.559	32,480	32,480
<i>Total Child Nutrition Cluster</i>			<u>575,776</u>	<u>575,776</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b><u>575,776</u></b>	<b><u>575,776</u></b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
<i>Title I, Part A Cluster:</i>				
Title I Grants to Local Educational Agencies	2010	84.010	50,000	104,626
	2011		305,259	244,254
Subtotal - CFDA No. 84.010			<u>355,259</u>	<u>348,880</u>
ARRA Title I Grants to Local Educational Agencies	2011	84.389	112,271	110,959
<i>Total - Title I, Part A Cluster</i>			<u>467,530</u>	<u>459,839</u>
<i>Special Education Cluster:</i>				
Special Education Grants to States (IDEA, Part B)	2010	84.027	50,715	117,649
	2011		334,863	290,430
Subtotal - CFDA No. 84.027			<u>385,578</u>	<u>408,079</u>
ARRA Special Education Grants to States (IDEA, Part B)	2010	84.391		12,264
	2011		191,154	183,048
Subtotal - CFDA No. 84.391			<u>191,154</u>	<u>195,312</u>
<i>Total - Special Education Cluster</i>			<u>576,732</u>	<u>603,391</u>
Education Technology State Grants Title II, Part D	2011	84.318	1,017	1,017
Improving Teacher Quality State Grants Title II, Part A	2010	84.367	100,881	97,161
ARRA State Fiscal Stabilization Fund - Education State Grants	2010	84.394		4,502
	2011		618,266	618,266
Subtotal - CFDA No. 84.394			<u>618,266</u>	<u>622,768</u>
ARRA Education Jobs Fund - Education State Grants	2011	84.410	457,146	457,146
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b><u>2,221,572</u></b>	<b><u>2,241,322</u></b>
<b>TOTALS</b>			<b><u>\$2,797,348</u></b>	<b><u>\$2,817,098</u></b>

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

**LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the LaBrae Local School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

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# Dave Yost • 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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 21, 2011, wherein we noted the District implemented Governmental Accounting Standards Board (GASB) Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions". 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

November 21, 2011



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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 could directly and materially affect each of the District's major federal programs for the year ended June 30, 2011. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 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 could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

### 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, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, 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, and others within the District. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

November 21, 2011

**LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

**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 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 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(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title 1, Part A Cluster: CFDA Numbers 84.010 and 84.389  Special Education Cluster: CFDA Numbers 84.027 and 84.391  State Fiscal Stabilization Fund: CFDA Number 84.394  Education Jobs Fund: CFDA Number 84.410
<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**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED UPON PROCEDURES

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether LaBrae Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on March 21, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

November 21, 2011

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# Dave Yost • 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  
JANUARY 31, 2012