



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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the LaBrae Local School District, Trumbull County, Ohio, as of June 30, 2012, 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 October 3, 2012, 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 Receipts and Expenditures 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 Receipts and Expenditures 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

October 3, 2012

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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, 2012. 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 2012 are as follows:

- In total, net assets of governmental activities decreased \$1,345,107 which represents a 6.30% decrease from 2011.
- General revenues accounted for \$11,834,132 in revenue or 75.12% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,918,794 or 24.88% of total revenues of \$15,752,926.
- The District had \$15,571,847 in expenses and a \$1,526,186 payment to Ohio School Facilities Commission reported as a special item in governmental activities and; only \$3,918,794 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$11,834,132 were not adequate to provide for these programs.
- The District has three major governmental funds. They are the general fund, debt service fund and permanent improvement fund. The general fund had \$12,289,573 in revenues and \$12,677,435 in expenditures. During fiscal year 2012, the general fund's fund balance decreased \$369,838 from a beginning balance of \$2,239,151 to \$1,869,313.
- The debt service fund is a major fund of the District. The debt service fund had \$6,802,081 in revenues and other financing sources and \$6,120,558 in expenditures and other financing uses. During fiscal year 2012, the debt service fund's fund balance increased \$681,523 from \$177,915 to \$859,438.
- The permanent improvement fund is a major fund of the District. The permanent improvement fund had \$804,621 in revenues and other financing sources and \$138,681 in expenditures. During fiscal year 2012, the permanent improvement fund's fund balance increased \$665,940 from \$328,154 to \$994,094.

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 permanent improvement 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, 2012
(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 2012?" 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 permanent improvement 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, 2012
(UNAUDITED)

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-52 of this report.

The District as a Whole

The table below provides a summary of the District's net assets at June 30, 2012 and June 30, 2011.

	Net Assets	
	Governmental Activities 2012	Governmental Activities 2011
<u>Assets</u>		
Current and other assets	\$ 10,911,106	\$ 12,733,321
Capital assets, net	<u>22,219,793</u>	<u>23,139,932</u>
Total assets	<u>33,130,899</u>	<u>35,873,253</u>
<u>Liabilities</u>		
Current liabilities	4,720,469	5,831,932
Long-term liabilities	<u>8,412,965</u>	<u>8,698,749</u>
Total liabilities	<u>13,133,434</u>	<u>14,530,681</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	14,818,799	15,325,938
Restricted	2,508,973	4,019,089
Unrestricted	<u>2,669,693</u>	<u>1,997,545</u>
Total net assets	<u>\$ 19,997,465</u>	<u>\$ 21,342,572</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$19,997,465.

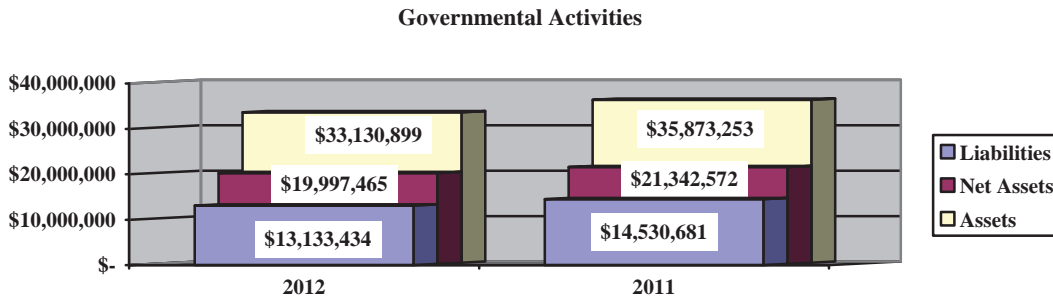
At fiscal year-end, capital assets represented 67.07% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, infrastructure and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2012, were \$14,818,799. These 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, 2012
(UNAUDITED)

A portion of the District's net assets, \$2,508,973, represents resources that are subject to external restriction on how they may be used. Of this total, \$1,006,664 is restricted for capital projects, \$859,438 is restricted for debt service and \$26,158 is restricted for other purposes.

The graph below illustrates the governmental activities assets, liabilities and net assets at June 30, 2012 and 2011:



The table below shows the change in net assets for fiscal years 2012 and 2011.

Change in Net Assets

	Governmental Activities 2012	Governmental Activities 2011
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,712,171	\$ 1,697,996
Operating grants and contributions	2,206,623	3,387,022
General revenues:		
Property taxes	4,087,602	2,306,852
Grants and entitlements	7,666,914	7,468,886
Investment earnings	10,734	15,669
Miscellaneous	68,882	57,691
Total revenues	<u>15,752,926</u>	<u>14,934,116</u>

During fiscal year 2012 operating grants and contributions decreased 34.85% primarily due to a decrease in grants related to education jobs and education stabilization. Tax revenues increased due to an increase in the collection of real estate and personal property taxes during the year. 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, 2012
(UNAUDITED)

Change in Net Assets

	<u>Governmental Activities 2012</u>	<u>Governmental Activities 2011</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 7,077,555	\$ 6,800,005
Special	1,686,026	1,665,537
Vocational	81,401	53,022
Adult education	-	476
Other	403,520	561,590
Support services:		
Pupil	776,305	777,023
Instructional staff	316,925	296,716
Board of education	38,116	52,298
Administration	1,098,110	1,161,242
Fiscal	323,466	349,373
Operations and maintenance	1,402,413	1,433,631
Pupil transportation	645,821	600,458
Central	109,760	110,937
Operation of non-instructional services:		
Food service operations	709,422	665,458
Other non-instructional services	6,897	3,800
Extracurricular activities	506,433	500,119
Interest and fiscal charges	<u>389,677</u>	<u>431,714</u>
Total expenses	<u>15,571,847</u>	<u>15,463,399</u>
Special item		
Refund to OSFC	<u>(1,526,186)</u>	<u>-</u>
Change in net assets	(1,345,107)	(529,283)
Net assets at beginning of year	<u>21,342,572</u>	<u>21,871,855</u>
Net assets at end of year	<u>\$ 19,997,465</u>	<u>\$ 21,342,572</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$1,345,107. This decline is primarily a result of the \$1,523,186 special item for funds owed to the Ohio School Facilities Commission. This refund was for overpayments by the OSFC for the District's school construction project. Total governmental expenses of \$15,571,847 were offset by program revenues of \$3,918,794 and general revenues of \$11,834,132. Program revenues supported 74.83% 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 74.62% of total governmental revenue.

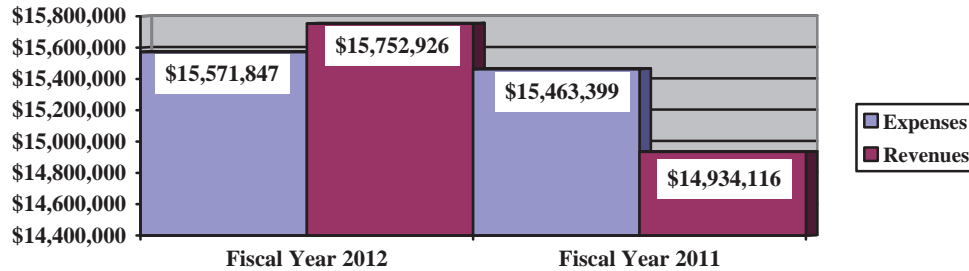
The largest expense of the District is for instructional programs. Instruction expenses totaled \$9,248,502 or 59.39% of total governmental expenses for fiscal year 2012.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

The graph that follows presents the District's governmental activities revenue and expenses for fiscal years 2012 and 2011.

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 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Program expenses				
Instruction:				
Regular	\$ 7,077,555	\$ 5,629,649	\$ 6,800,005	\$ 4,972,025
Special	1,686,026	365,197	1,665,537	289,625
Vocational	81,401	44,811	53,022	16,432
Adult education	-	-	476	476
Other	403,520	402,485	561,590	472,066
Support services:				
Pupil	776,305	734,234	777,023	695,623
Instructional staff	316,925	231,532	296,716	229,231
Board of education	38,116	28,421	52,298	34,283
Administration	1,098,110	1,070,927	1,161,242	894,857
Fiscal	323,466	323,466	349,373	349,373
Operations and maintenance	1,402,413	1,348,421	1,433,631	1,002,368
Pupil transportation	645,821	599,446	600,458	527,457
Central	109,760	109,760	110,937	105,937
Operation of non-instructional services				
Food service operations	709,422	(25,623)	665,458	(35,668)
Other non-instructional services	6,897	3,890	3,800	2,897
Extracurricular activities	506,433	396,760	500,119	389,685
Interest and fiscal charges	389,677	389,677	431,714	431,714
Total expenses	<u>\$ 15,571,847</u>	<u>\$ 11,653,053</u>	<u>\$ 15,463,399</u>	<u>\$ 10,378,381</u>

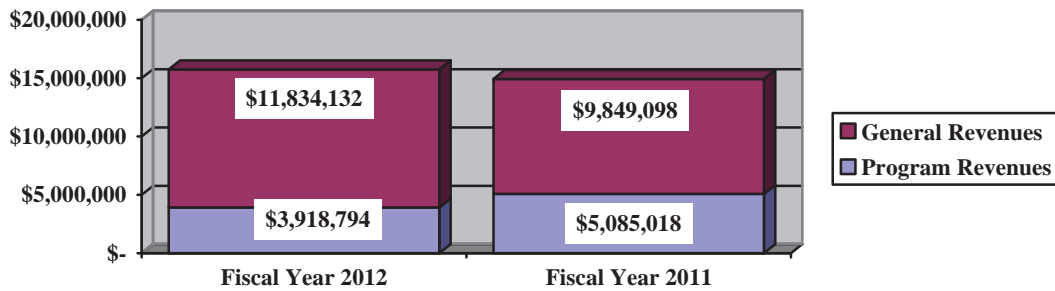
**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 69.66% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 74.83%. 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 2012 and 2011.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$4,378,001, which is a lower balance than last year's total balance of \$6,188,305. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	Fund Balance <u>June 30, 2012</u>	Fund Balance <u>June 30, 2011</u>	Increase/ <u>(Decrease)</u>
General	\$ 1,869,313	\$ 2,239,151	\$ (369,838)
Debt service	859,438	177,915	681,523
Permanent improvement	994,094	328,154	665,940
Other governmental	<u>655,156</u>	<u>3,443,085</u>	<u>(2,787,929)</u>
Total	<u>\$ 4,378,001</u>	<u>\$ 6,188,305</u>	<u>\$ (1,810,304)</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

General Fund

The District's general fund's fund balance decreased \$369,838 from a balance of \$2,239,151 to a balance of \$1,869,313. The table that follows assists in illustrating the financial activities of the general fund.

	2012 <u>Amount</u>	2011 <u>Amount</u>	Increase/ (Decrease)	Percentage Change
<u>Revenues</u>				
Taxes	\$ 2,392,141	\$ 2,399,122	\$ (6,981)	(0.29) %
Tuition	1,256,452	1,212,643	43,809	3.61 %
Earnings on investments	7,727	13,756	(6,029)	(43.83) %
Intergovernmental	8,385,013	8,160,950	224,063	2.75 %
Other revenues	<u>248,240</u>	<u>255,578</u>	<u>(7,338)</u>	(2.87) %
Total	<u>\$ 12,289,573</u>	<u>\$ 12,042,049</u>	<u>\$ 247,524</u>	2.06 %
<u>Expenditures</u>				
Instruction	\$ 8,189,346	\$ 7,306,024	\$ 883,322	12.09 %
Support services	4,045,716	3,495,980	549,736	15.72 %
Operation of non-instructional services	4,117	2,788	1,329	47.67 %
Extracurricular activities	280,106	249,281	30,825	12.37 %
Facilities acquisition and construction	14,087	19,457	(5,370)	(27.60) %
Debt service	<u>144,063</u>	<u>139,610</u>	<u>4,453</u>	3.19 %
Total	<u>\$ 12,677,435</u>	<u>\$ 11,213,140</u>	<u>\$ 1,464,295</u>	13.06 %

A reduction in investable funds has resulted in a decrease in interest revenue of 43.83%. An increase in state funding has resulted in an increase in intergovernmental revenue of 2.75%. Facilities acquisition and construction expenditures decreased by 27.60%, in 2012 due to a decrease in building maintenance and other non capitalized assets purchased in the general fund. An increase in personnel expenses has resulted in an increase in instruction and support services of 12.09% and 15.72%, 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 \$6,802,081 in revenues and other financing sources and \$6,120,558 in expenditures and other financing uses. During fiscal year 2011, the debt service fund's fund balance increased \$681,523 from \$177,915 to \$859,438.

Permanent Improvement Fund

The permanent improvement fund is a major fund of the District. The permanent improvement fund had \$804,621 in revenues and other financing sources and \$138,681 in expenditures. During fiscal year 2012, the permanent improvement fund's fund balance increased \$665,940 from \$328,154 to \$994,094.

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, 2012
(UNAUDITED)

During the course of fiscal year 2012, the District amended its general fund budget numerous times. For the general fund, original budgeted revenues and other financing sources were \$12,549,866 and final budgeted revenues and other financing sources were \$12,359,000. Actual revenues and other financing sources for fiscal year 2012 was \$12,311,556. This represents a \$47,444 decrease from final budgeted revenues.

General fund final appropriations (appropriated expenditures plus other financing uses) were \$13,112,525, which was lower than the original budgeted appropriations estimate of \$13,117,696. The actual budget basis expenditures and other financing uses for fiscal year 2012 totaled \$12,616,040, which was \$496,485 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the District had \$22,219,793 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, 2012 balances compared to June 30, 2011.

	Capital Assets at June 30	
	(Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Land	\$ 257,591	\$ 257,591
Land improvements	2,018,518	2,168,037
Buildings and improvements	18,986,202	19,750,915
Furniture and equipment	699,617	753,727
Infrastructure	10,999	11,225
Vehicles	<u>246,866</u>	<u>198,437</u>
Total	<u>\$ 22,219,793</u>	<u>\$ 23,139,932</u>

The overall decrease in capital assets of \$920,139 is due to depreciation expense of \$1,035,810 and disposals (net of accumulated depreciation) of \$5,086 exceeding capital outlays of \$120,757.

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

Debt Administration

At June 30, 2012, the District had \$6,028,418 in general obligation bonds and \$1,752,000 in a lease-purchase agreement outstanding. Of this total, \$505,000 is due within one year and \$7,275,418 is due in greater than one year. The following table summarizes the bonds and lease purchase agreement outstanding.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Outstanding Debt, at Year End

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
General obligation bonds	\$ 6,028,418	\$ 6,332,627
Lease purchase agreement	<u>1,752,000</u>	<u>1,795,000</u>
Total	<u>\$ 7,780,418</u>	<u>\$ 8,127,627</u>

At June 30, 2012, the District's overall legal debt margin was \$5,197,137 and an unvoted debt margin of \$110,963.

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 \$3,231,435 at June 30, 2012. 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.

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, 2012

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents . . .	\$ 5,868,299
Receivables:	
Taxes	4,818,729
Accounts	1,523
Intergovernmental	65,000
Accrued interest	3,073
Prepayments	34,105
Materials and supplies inventory	10,231
Unamortized bond issuance costs	110,146
Capital assets:	
Land	257,591
Depreciable capital assets, net	21,962,202
Total capital assets, net	22,219,793
 Total assets	 33,130,899
 Liabilities:	
Accounts payable	11,150
Contracts payable	19,850
Accrued wages and benefits	1,246,963
Pension obligation payable	243,990
Intergovernmental payable	47,731
Accrued interest payable	12,053
Unearned revenue	3,138,732
Long-term liabilities:	
Due within one year	563,372
Due in more than one year	7,849,593
 Total liabilities	 13,133,434
 Net Assets:	
Invested in capital assets, net of related debt	14,818,799
Restricted for:	
Capital projects	1,006,664
Debt service	859,438
Classroom facilities maintenance	335,674
Federally funded programs	6,833
Student activities	30,637
Food service operations	243,569
Other purposes	26,158
Unrestricted	2,669,693
 Total net assets	 \$ 19,997,465

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, 2012

Governmental activities:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Instruction:				
Regular	\$ 7,077,555	\$ 1,340,689	\$ 107,217	\$ (5,629,649)
Special	1,686,026	22,468	1,298,361	(365,197)
Vocational	81,401	-	36,590	(44,811)
Other	403,520	-	1,035	(402,485)
Support services:				
Pupil	776,305	-	42,071	(734,234)
Instructional staff	316,925	-	85,393	(231,532)
Board of education	38,116	9,695	-	(28,421)
Administration	1,098,110	-	27,183	(1,070,927)
Fiscal	323,466	-	-	(323,466)
Operations and maintenance	1,402,413	53,992	-	(1,348,421)
Pupil transportation	645,821	-	46,375	(599,446)
Central	109,760	-	-	(109,760)
Operation of non-instructional services:				
Food service operations	709,422	186,963	548,082	25,623
Other non-instructional services	6,897	2,344	663	(3,890)
Extracurricular activities	506,433	96,020	13,653	(396,760)
Interest and fiscal charges	389,677	-	-	(389,677)
Totals	\$ 15,571,847	\$ 1,712,171	\$ 2,206,623	(11,653,053)
General Revenues:				
Property taxes levied for:				
General purposes				3,083,460
Debt service				719,953
Facilities maintenance				53,852
Capital outlay				230,337
Grants and entitlements not restricted to specific programs				7,666,914
Investment earnings				10,734
Miscellaneous				68,882
Total general revenues				11,834,132
Special Item:				
Refund to Ohio School Facilities Commission				(1,526,186)
Total general revenues and special items				10,307,946
Change in net assets				(1,345,107)
Net assets at beginning of year				21,342,572
Net assets at end of year				\$ 19,997,465

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Debt Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and cash equivalents.	\$ 3,231,435	\$ 855,440	\$ 1,012,614	\$ 768,810	\$ 5,868,299
Receivables:					
Taxes	3,657,364	824,431	274,302	62,632	4,818,729
Accounts	1,523	-	-	-	1,523
Intergovernmental.	-	-	-	65,000	65,000
Accrued interest	3,073	-	-	-	3,073
Interfund loans	50,000	-	-	-	50,000
Prepayments.	27,615	-	-	6,490	34,105
Materials and supplies inventory.	6,343	-	-	3,888	10,231
Total assets	<u>\$ 6,977,353</u>	<u>\$ 1,679,871</u>	<u>\$ 1,286,916</u>	<u>\$ 906,820</u>	<u>\$ 10,850,960</u>
Liabilities:					
Accounts payable	\$ 870	\$ -	\$ -	\$ 10,280	\$ 11,150
Contracts payable.	-	-	19,850	-	19,850
Accrued wages and benefits.	1,147,453	-	-	99,510	1,246,963
Compensated absences payable	55,533	-	-	-	55,533
Pension obligation payable	218,184	-	-	25,806	243,990
Intergovernmental payable	43,991	-	-	3,740	47,731
Interfund loans payable.	-	-	-	50,000	50,000
Deferred revenue	1,259,745	283,431	94,302	21,532	1,659,010
Unearned revenue.	2,382,264	537,002	178,670	40,796	3,138,732
Total liabilities.	<u>5,108,040</u>	<u>820,433</u>	<u>292,822</u>	<u>251,664</u>	<u>6,472,959</u>
Fund Balances:					
Nonspendable:					
Materials and supplies inventory.	6,343	-	-	3,888	10,231
Prepays.	27,615	-	-	6,490	34,105
Restricted:					
Debt service	-	859,438	-	-	859,438
Capital improvements	-	-	994,094	12,570	1,006,664
Classroom facilities maintenance	-	-	-	330,281	330,281
Food service operations	-	-	-	264,742	264,742
Special education	-	-	-	3,216	3,216
Targeted academic assistance	-	-	-	3,617	3,617
Extracurricular.	-	-	-	30,637	30,637
Assigned:					
Student and staff support.	40,214	-	-	-	40,214
Subsequent year appropriations	591,926	-	-	-	591,926
Uniform school supplies	1,469	-	-	-	1,469
Other purposes.	185,408	-	-	-	185,408
Unassigned (deficit).	1,016,338	-	-	(285)	1,016,053
Total fund balances	<u>1,869,313</u>	<u>859,438</u>	<u>994,094</u>	<u>655,156</u>	<u>4,378,001</u>
Total liabilities and fund balances	<u>\$ 6,977,353</u>	<u>\$ 1,679,871</u>	<u>\$ 1,286,916</u>	<u>\$ 906,820</u>	<u>\$ 10,850,960</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, 2012

Total governmental fund balances		\$	4,378,001
<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.			22,219,793
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	1,656,629	
Accrued interest receivable		2,381	
Total		1,659,010	1,659,010
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(12,053)
Unamortized premiums on bond issuance are not recognized in the funds.			(454,726)
Unamortized bond issuance costs are not recognized in the funds.			110,146
Unamortized amounts on refundings are not recognized in the funds.			344,575
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		(6,028,418)	
Compensated absences		(466,863)	
Lease-purchase agreement		(1,752,000)	
Total		(8,247,281)	(8,247,281)
Net assets of governmental activities		\$	19,997,465

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, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Taxes	\$ 2,392,141	\$ 538,291	\$ 177,642	\$ 40,608	\$ 3,148,682
Tuition	1,256,452	-	-	-	1,256,452
Earnings on investments	7,727	-	-	626	8,353
Charges for services	-	-	-	186,963	186,963
Classroom materials and fees	30,446	-	-	-	30,446
Extracurricular	76,259	-	-	98,364	174,623
Rental income	53,992	-	-	-	53,992
Contributions and donations	18,608	-	-	9,120	27,728
Other local revenues	68,935	1,191	-	4,866	74,992
Intergovernmental - state	8,385,013	96,724	26,979	24,568	8,533,284
Intergovernmental - federal	-	-	-	1,316,110	1,316,110
Total revenues	12,289,573	636,206	204,621	1,681,225	14,811,625
Expenditures:					
Current:					
Instruction:					
Regular	6,559,637	-	-	81,007	6,640,644
Special	1,147,052	-	-	487,717	1,634,769
Vocational	80,201	-	-	-	80,201
Other	402,456	-	-	1,064	403,520
Support services:					
Pupil	689,987	-	-	40,824	730,811
Instructional staff	149,571	-	-	85,855	235,426
Board of education	38,116	-	-	-	38,116
Administration	1,018,245	-	-	27,541	1,045,786
Fiscal	270,542	12,336	4,047	932	287,857
Operations and maintenance	1,132,374	-	-	122,797	1,255,171
Pupil transportation	637,121	-	-	45,000	682,121
Central	109,760	-	-	-	109,760
Operation of non-instructional services:					
Food service operations	-	-	-	692,292	692,292
Other non-instructional revenues	4,117	-	-	2,780	6,897
Extracurricular activities	280,106	-	-	100,009	380,115
Facilities acquisition and construction	14,087	-	134,634	137	148,858
Debt service:					
Principal retirement	43,000	370,000	-	-	413,000
Interest and fiscal charges	101,063	210,765	-	-	311,828
Bond issuance costs	-	115,653	-	-	115,653
Total expenditures	12,677,435	708,754	138,681	1,687,955	15,212,825
Excess (deficiency) of revenues over (under) expenditures	(387,862)	(72,548)	65,940	(6,730)	(401,200)
Other financing sources (uses):					
Premium on sale of bonds	-	477,462	-	-	477,462
Sale of bonds	-	5,049,995	-	-	5,049,995
Sale/loss of assets	20,000	-	-	-	20,000
Transfers in	-	638,418	600,000	262,677	1,501,095
Transfers (out)	-	-	-	(1,501,095)	(1,501,095)
Payment to refunding bond escrow agent	-	(5,411,804)	-	-	(5,411,804)
Total other financing sources (uses)	20,000	754,071	600,000	(1,238,418)	135,653
Special Item:					
Refund to Ohio School					
Facilities Commission	-	-	-	(1,526,186)	(1,526,186)
Net change in fund balances	(367,862)	681,523	665,940	(2,771,334)	(1,791,733)
Fund balances at beginning of year	2,239,151	177,915	328,154	3,443,085	6,188,305
Decrease in reserve for inventory	(1,976)	-	-	(16,595)	(18,571)
Fund balances at end of year	\$ 1,869,313	\$ 859,438	\$ 994,094	\$ 655,156	\$ 4,378,001

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, 2012

Net change in fund balances - total governmental funds	\$	(1,791,733)
<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	\$ 120,757	
Current year depreciation	<u>(1,035,810)</u>	
Total		(915,053)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(5,086)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		(18,571)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Tax revenue	938,920	
Interest revenue	<u>2,381</u>	
Total		941,301
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	370,000	
Lease-purchase	<u>43,000</u>	
Total		413,000
The sale of bonds is recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net assets.		
		(5,049,995)
Payment to refunding bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net assets.		
		5,411,804
Premiums on the sale of bonds and bond issuance costs related to the issuance of bonds are amortized over the life of the issuance in the statement of activities. The following transactions occurred in the year:		
Premiums on bonds	(477,462)	
Bond issuance costs	<u>115,653</u>	
Total		(361,809)
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	10,375	
Accreted interest on capital appreciation bonds	(65,796)	
Amortization of bond issuance costs	(5,507)	
Amortization of bond premiums	22,736	
Amortization of deferred charges on refundings	<u>(17,229)</u>	
Total		(55,421)
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.		
		<u>86,456</u>
Change in net assets of governmental activities	\$	<u>(1,345,107)</u>

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 2,594,807	\$ 2,555,000	\$ 2,399,240	\$ (155,760)
Tuition	1,223,165	1,204,400	1,256,452	52,052
Earnings on investments	15,741	15,500	10,336	(5,164)
Classroom materials and fees	16,351	16,100	14,723	(1,377)
Rental income	50,779	50,000	53,992	3,992
Contributions and donations	8,734	8,600	9,695	1,095
Contract services	4,062	4,000	-	(4,000)
Other local revenues	71,091	70,000	63,197	(6,803)
Intergovernmental - state	8,456,736	8,327,000	8,385,013	58,013
Total revenues	12,441,466	12,250,600	12,192,648	(57,952)
Expenditures:				
Current:				
Instruction:				
Regular	6,391,080	6,431,320	6,395,197	36,123
Special	1,066,108	1,184,308	1,167,437	16,871
Vocational	80,085	90,085	79,527	10,558
Adult education	500	500	476	24
Other	463,000	452,000	402,456	49,544
Support services:				
Pupil	716,810	700,110	683,314	16,796
Instructional staff	147,105	148,205	142,043	6,162
Board of education	56,865	57,665	39,817	17,848
Administration	1,129,840	1,105,040	1,027,952	77,088
Fiscal	302,060	304,760	288,069	16,691
Operations and maintenance	1,596,355	1,380,755	1,165,890	214,865
Pupil transportation	625,140	647,140	631,148	15,992
Central	106,000	115,000	110,060	4,940
Operation of non-instructional services	3,240	3,740	3,209	531
Extracurricular activities	253,730	276,030	271,295	4,735
Facilities acquisition and construction	20,000	20,000	14,087	5,913
Debt service:				
Principal retirement	43,000	43,000	43,000	-
Interest and fiscal charges	96,778	102,867	101,063	1,804
Total expenditures	13,097,696	13,062,525	12,566,040	496,485
Excess (deficiency) of revenues over (under) expenditures	(656,230)	(811,925)	(373,392)	438,533
Other financing sources (uses):				
Refund of prior year's expenditures	40,400	40,400	30,908	(9,492)
Advances in	68,000	68,000	68,000	-
Advances (out)	(20,000)	(50,000)	(50,000)	-
Sale of capital assets	-	-	20,000	20,000
Total other financing sources (uses)	88,400	58,400	68,908	10,508
Net change in fund balance	(567,830)	(753,525)	(304,484)	449,041
Fund balance at beginning of year	3,202,862	3,202,862	3,202,862	-
Prior year encumbrances appropriated	20,594	20,594	20,594	-
Fund balance at end of year	\$ 2,655,626	\$ 2,469,931	\$ 2,918,972	\$ 449,041

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents.	\$ 2,798	\$ 27,075
Total assets	<u>2,798</u>	<u>27,075</u>
Liabilities:		
Due to students.	-	\$ 27,075
Total liabilities	<u>-</u>	<u>27,075</u>
Net assets:		
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, 2012

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Net assets at beginning of year	\$ 2,798
Net assets at end of year.	<u>\$ 2,798</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 349th 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 45 non-certified and 92 certified personnel to provide services to approximately 1,500 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, 2012

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 \$27,240 to NEOMIN for fiscal year 2012.

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 2012. 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 providing vocational needs of the students. The center is 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 / Comp Management (GRP) was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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.

Permanent improvement fund - The permanent improvement fund is used to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements.

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 and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 2012

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, 2012, but which were levied to finance fiscal year 2013 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, 2012 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, 2012

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
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 2012, investments were limited to a repurchase agreement, nonnegotiable certificates of deposits 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, 2012.

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 2012 amounted to \$7,727, which includes \$3,616 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 2012**

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. 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. During fiscal year 2012, the District experienced a special item due to the close out of the Ohio School Facilities Commission (OSFC) project. During fiscal year 2012, the District paid OSFC \$1,526,186 in residual funds.

Q. Unamortized Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On the government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as an addition to or reduction of the face amount of the new debt. On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period.

A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 9.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2012 included the following individual fund deficit:

<u>Nonmajor funds</u>	<u>Deficit</u>
Improving teacher quality	\$ 285

The general fund is liable for the deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all District deposits was \$2,274,867. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2012, \$564,095 of the District’s bank balance of \$2,314,095 was exposed to custodial risk as discussed below, while \$1,750,000 was covered by the FDIC.

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

B. Investments

As of June 30, 2012, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
Repurchase agreement	\$ 3,615,324	\$ 3,615,324
STAR Ohio	<u>7,981</u>	<u>7,981</u>
Total	<u>\$ 3,623,305</u>	<u>\$ 3,623,305</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 AA+ 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 investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 \$3,615,324 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%.

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, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 3,615,324	99.78
STAR Ohio	<u>7,981</u>	<u>0.22</u>
Total	<u>\$ 3,623,305</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, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,274,867
Investments	<u>3,623,305</u>
Total	<u>\$ 5,898,172</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 5,868,299
Private-purpose trust fund	2,798
Agency fund	<u>27,075</u>
Total	<u>\$ 5,898,172</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the year ended June 30, 2012, consisted of the following, as reported on the fund financial statement:

<u>Transfer from nonmajor governmental fund to:</u>	<u>Amount</u>
Debt service fund	\$ 638,418
Permanent improvement fund	600,000
Nonmajor governmental fund	<u>262,677</u>
Total	<u>\$ 1,501,095</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs account for other funds in accordance with budgetary authorizations. All transfers made in fiscal year 2012 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

The \$1,501,095 transfer from the classroom facilities fund (a nonmajor governmental fund) to the debt service fund, permanent improvement fund and classroom facilities fund (a nonmajor governmental fund) is a residual equity transfer as the District is no longer undergoing an Ohio School Facilities Commission (OSFC) project. This transfer was approved by OSFC on May 31, 2012.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

- B.** Interfund loans receivable/payable consisted of the following at June 30, 2012, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	<u>\$ 50,000</u>

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, 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.

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, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$17,736 in the general fund, \$3,998 in the debt service fund, \$1,330 in the permanent improvement fund and \$304 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for 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 fund and \$364 in the classroom facilities maintenance fund (a nonmajor governmental 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, 2012 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 106,961,110	94.00	\$ 103,905,730	93.64
Public utility personal	<u>6,825,060</u>	<u>6.00</u>	<u>7,057,470</u>	<u>6.36</u>
Total	<u>\$ 113,786,170</u>	<u>100.00</u>	<u>\$ 110,963,200</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$47.80		\$47.80	
Debt service	5.75		5.75	
Permanent improvements	3.00		3.00	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2012 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	\$ 4,818,729
Accounts	1,523
Intergovernmental	65,000
Accrued interest	<u>3,073</u>
Total	<u>\$ 4,888,325</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Balance</u> 06/30/11	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> 06/30/12
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 257,591	\$ -	\$ -	\$ 257,591
Total capital assets, not being depreciated	<u>257,591</u>	<u>-</u>	<u>-</u>	<u>257,591</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,034,399	-	-	3,034,399
Buildings and improvements	24,849,595	-	-	24,849,595
Furniture and equipment	1,307,477	21,960	(61,807)	1,267,630
Infrastructure	11,300	-	-	11,300
Vehicles	1,034,148	98,797	(103,094)	1,029,851
Total capital assets, being depreciated	<u>30,236,919</u>	<u>120,757</u>	<u>(164,901)</u>	<u>30,192,775</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(866,362)	(149,519)	-	(1,015,881)
Buildings and improvements	(5,098,680)	(764,713)	-	(5,863,393)
Furniture and equipment	(553,750)	(72,918)	58,655	(568,013)
Infrastructure	(75)	(226)	-	(301)
Vehicles	(835,711)	(48,434)	101,160	(782,985)
Total accumulated depreciation	<u>(7,354,578)</u>	<u>(1,035,810)</u>	<u>159,815</u>	<u>(8,230,573)</u>
Governmental activities capital assets, net	<u>\$ 23,139,932</u>	<u>\$ (915,053)</u>	<u>\$ (5,086)</u>	<u>\$ 22,219,793</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 510,708
Special	54,780
Vocational	1,200
<u>Support services:</u>	
Pupil	44,743
Instructional staff	80,758
Administration	63,570
Fiscal	35,335
Operations and maintenance	39,676
Pupil transportation	47,367
Extracurricular activities	148,746
Food service operations	8,927
Total depreciation expense	<u>\$ 1,035,810</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - LONG-TERM OBLIGATIONS

- A. During fiscal year 2012, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/11</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/12</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
<u>General obligation bonds:</u>					
Series 2002, improvement bonds					
Current interest bonds					
2.0% - 5.0%, 12/01/24 maturity	\$ 5,805,000	\$ -	\$ (5,420,000)	\$ 385,000	\$ 385,000
Capital appreciation bonds					
10.548% (average effective)					
06/01/15 and 06/01/16 maturity	213,994	-	-	213,994	-
Accreted interest	313,633	55,649	-	369,282	-
Series 2011, refunding bonds					
Current interest bonds					
1.0% - 3.0%, 12/01/24 maturity	-	5,000,000	-	5,000,000	75,000
Capital appreciation bonds					
34.62%, 12/01/18 maturity	-	49,995	-	49,995	-
Accreted interest	-	10,147	-	10,147	-
	<u>6,332,627</u>	<u>5,115,791</u>	<u>(5,420,000)</u>	<u>6,028,418</u>	<u>460,000</u>
Total general obligation bonds payable					
	<u>6,332,627</u>	<u>5,115,791</u>	<u>(5,420,000)</u>	<u>6,028,418</u>	<u>460,000</u>
<u>Other long-term obligations:</u>					
OASBO lease-purchase agreement	1,795,000	-	(43,000)	1,752,000	45,000
Compensated absences	571,122	35,524	(84,250)	522,396	58,372
	<u>2,366,122</u>	<u>35,524</u>	<u>(127,250)</u>	<u>2,274,396</u>	<u>103,372</u>
Total other long-term obligations					
	<u>2,366,122</u>	<u>35,524</u>	<u>(127,250)</u>	<u>2,274,396</u>	<u>103,372</u>
Total governmental activities					
	<u>\$ 8,698,749</u>	<u>\$ 5,151,315</u>	<u>\$ (5,547,250)</u>	<u>8,302,814</u>	<u>\$ 563,372</u>
Add: unamortized premium				454,726	
Less: unamortized deferred charges on refunding				<u>(344,575)</u>	
Total on statement of net assets				<u>\$ 8,412,965</u>	

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

OASBO Lease Purchase Agreement: During fiscal year 2005, the District entered into a lease-purchase agreement, in the amount of \$2,044,000, with the Ohio Association of School Business Officials' (OASBO) Expanded Asset Pooled Financing Program to finance the cost of new athletic and bus facilities. The annual payments are made from the general fund. At June 30, 2012, the District had outstanding borrowings of \$1,752,000.

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, 2012 was \$670,192, leaving a current book value of \$1,601,644.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	54,000	84,275	138,275
2018 - 2022	317,000	371,483	688,483
2023 - 2027	410,000	272,030	682,030
2028 - 2032	527,000	144,140	671,140
2033 - 2034	251,000	13,972	264,972
Total	<u>\$ 1,752,000</u>	<u>\$ 1,250,808</u>	<u>\$ 3,002,808</u>

General Obligation Bonds Series 2002: 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 accreted value at maturity for the capital appreciation bonds is \$870,000. Total accreted interest of \$369,282 has been included in the statement of net assets at June 30, 2012. During 2012, \$5,050,000 of the series 2002 general obligation bonds were refunded.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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	Series 2002 Current Interest Bonds			Series 2002 Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 385,000	\$ 8,278	\$ 393,278	\$ -	\$ -	\$ -
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	112,369	322,631	435,000
2017	-	-	-	101,625	333,375	435,000
Total	<u>\$ 385,000</u>	<u>\$ 8,278</u>	<u>\$ 393,278</u>	<u>\$ 213,994</u>	<u>\$ 656,006</u>	<u>\$ 870,000</u>

Refunding Bonds, Series 2011

On November 16, 2011, the District issued general obligation refunding bonds (Series 2011, refunding bonds). These bonds refunded the \$5,050,000 callable portion of the Series 2002 issue. These bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. On the fund financial statements, payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund. On the government-wide financial statements, principal payments reduce the liability reported on the statement of net assets. The source of payment is derived from a current 5.4 mil bonded debt tax levy. The balance of the refunded current interest bonds at June 30, 2012 is \$5,050,000.

This issue is comprised of current interest bonds, present value \$5,000,000 at June 30, 2012, and capital appreciation bonds, par value \$49,995. The capital appreciation bonds mature December 1, 2018 (stated interest 34.62%) 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 \$552,960. Total accreted interest of \$10,147 has been included on the statement of net assets at June 30, 2012.

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

The reacquisition price exceeded the net carrying amount of the old debt by \$361,804. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 13 years by \$631,644 and resulted in an economic gain of \$525,516.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year Year Ended	Series 2011 Current Interest Bonds			Series 2011 Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 75,000	\$ 117,845	\$ 192,845	\$ -	\$ -	\$ -
2014	480,000	112,670	592,670	-	-	-
2015	485,000	103,020	588,020	-	-	-
2016	60,000	97,630	157,630	-	-	-
2017	65,000	96,505	161,505	-	-	-
2018 - 2022	2,060,000	341,575	2,401,575	49,995	502,965	552,960
2023 - 2025	1,775,000	81,435	1,856,435	-	-	-
Total	<u>\$ 5,000,000</u>	<u>\$ 950,680</u>	<u>\$ 5,950,680</u>	<u>\$ 49,995</u>	<u>\$ 502,965</u>	<u>\$ 552,960</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, 2012, are a voted debt margin of \$5,197,137 (including available funds of \$859,438) and an unvoted debt margin of \$110,963.

NOTE 10 - COMPENSATED ABSENCES

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

Vacation Leave - Unused vacation, to a maximum of 5 days, shall be paid to any 12 month classified employee with the first pay in July with the exception of the Superintendent and Treasurer. The District has determined that available vacation leave is subject to accrual based upon the vacation leave balances at June 30.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - COMPENSATED ABSENCES - (Continued)

The Superintendent and Treasurer shall be paid a salary based on 260 and 224 working days, respectively. If it becomes necessary for the Superintendent and Treasurer to work more 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.

Severance Pay - Based upon District negotiated agreements an employee upon retirement from active service is eligible to receive a portion of their sick leave. Based upon past historical trends, it has been determined that an employee with 15 or more years of vested service will be eligible for severance pay (any age) or employee over 60 with seven or more years of service (vested). An analysis of all employees has been made to determine those with 15 or more years of service or 60 or older. Severance pay shall be a one-time lump sum payment under either of the following provisions: (1) the employee retires from the school system. To receive additional benefits as calculated below, the employee must have been employed by the District for 7 or more years; or (2) the employee resigns with 15 or more years of service to the District. Severance for both certified and classified employees is as follows: 25% of accumulated days, up to a maximum of 100 days.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 11 - 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 2012, the District has contracted for the following coverage through The Netherlands Insurance Company:

Coverage	Coverage
General liability:	
Each occurrence	\$ 1,000,000
General aggregate	2,000,000
Products	2,000,000
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	 40,794,718

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, 2012

NOTE 11 - RISK MANAGEMENT - (Continued)

B. Workers' Compensation

For fiscal year 2012, 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 12 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, 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, under "*Employers/Audit Resources*".

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 2012, 12.65 percent and 0.05 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, 2012, 2011 and 2010 were \$167,965, \$161,797 and \$170,215, respectively; 61.50 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 12 - 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, 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 2012, 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, 2012, 2011 and 2010 were \$774,085, \$796,377 and \$793,501, respectively; 85.06 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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, 2012, 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, 2012

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, 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 Section 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 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the 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, under "Employers/Audit Resources".

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 2012, 0.55 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 2012, 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, 2012, 2011 and 2010 were \$34,611, \$46,444 and \$32,738, respectively; 61.50 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$9,919, \$10,412 and \$10,122, respectively; 61.50 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 13 - 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, 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 2012, 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, 2012, 2011 and 2010 were \$59,545, \$61,260 and \$61,039, respectively; 85.06 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (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, 2012

NOTE 14 - 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	\$ (304,484)
Net adjustment for revenue accruals	(8,591)
Net adjustment for expenditure accruals	(1,249)
Net adjustment for other sources/uses	(48,908)
Funds budgeted elsewhere	(5,814)
Adjustment for encumbrances	1,184
GAAP basis	\$ (367,862)

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 15 - CONTINGENCIES

A. Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date. 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, 2012

NOTE 16 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, 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. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	262,622
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(178,137)
Waiver granted by ODE	-
Prior year offset from bond proceeds	<u>(84,485)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u>\$ -</u>

During a prior fiscal year, the District issued \$8,909,000 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$7,876,285 at June 30, 2012.

NOTE 17 - 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	\$ 314
Other governmental	<u>5,867</u>
	<u>\$ 6,181</u>

LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
Non Cash Assistance (Food Distribution) National School Lunch Program	2011	10.555		46,198		42,312
National School Breakfast Program	2011	10.553	112,089		112,089	
National School Lunch Program	2011	10.555	353,482		353,482	
Summer Food Service Program for Children	2011	10.559	35,760		35,760	
<i>Total Nutrition Cluster</i>			<u>501,331</u>	<u>46,198</u>	<u>501,331</u>	<u>42,312</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>501,331</u>	<u>46,198</u>	<u>501,331</u>	<u>42,312</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
<i>Title I, Part A Cluster</i>						
Title I Grants to Local Educational Agencies	2011	84.010	48,000		109,005	
Title I Grants to Local Educational Agencies	2012	84.010	369,310		312,698	
ARRA - Title I Grants to Local Educational Agencies	2012	84.389	0		1,313	
<i>Total Title I Grants to Local Educational Agencies</i>			<u>417,310</u>		<u>423,016</u>	
<i>Special Education Cluster (IDEA)</i>						
Special Education Grants to States	2011	84.027	20,000		64,434	
Special Education Grants to States	2012	84.027	289,441		265,576	
ARRA - Special Education Grants to States	2012	84.391	0		8,106	
<i>Total Special Education Grants to States</i>			<u>309,441</u>		<u>338,116</u>	
<i>Education Technology State Grants Title II, Part D</i>						
Education Technology State Grants Title II, Part D	2012	84.318	2,629		2,629	
<i>Total Education Technology State Grants</i>			<u>2,629</u>		<u>2,629</u>	
<i>Improving Teacher Quality State Grants Title II, Part A</i>						
Improving Teacher Quality State Grants	2011	84.367	0		3,720	
Improving Teacher Quality State Grants	2012		89,703		89,703	
<i>Total Improving Teacher Quality State Grants</i>			<u>89,703</u>		<u>93,423</u>	
<i>Education Jobs Fund - Education State Grants</i>						
Education Jobs Fund - Education State Grants	2011	84.410	12,270		12,270	
<i>Total Education Jobs Fund - Education State Grants</i>			<u>12,270</u>		<u>12,270</u>	
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>831,353</u>		<u>869,454</u>	
TOTALS			<u>\$1,332,684</u>	<u>\$46,198</u>	<u>\$1,370,785</u>	<u>\$42,312</u>

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

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the LaBrae Local School District's (the District's) federal award programs' receipts and expenditures. 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 Government assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

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



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, Ohio, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 3, 2012. 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*.

Voinovich Government Center, 242 Federal Plaza W. Suite 302, Youngstown, Ohio 44503-1293
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www.ohioauditor.gov

LaBrae Local School District
Trumbull County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by Government Auditing Standards
Page 2

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

October 3, 2012



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, Trumbull County, Ohio, (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 the District's major federal program for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal program. 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 opine on the District's compliance based on our audit.

Our compliance audit followed 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*. These 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 these 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 these 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 its major federal program for the year ended June 30, 2012.

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, others within the District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

October 3, 2012

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster (CFDA#10.553, #10.555, and #10.559)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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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
MARCH 26, 2013