



Dave Yost • Auditor of State



**LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

LaBrae Local School District  
Trumbull County  
1001 N. Leavitt Rd.  
Leavittsburg, Ohio 44430-9644

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

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 LaBrae Local School District, Trumbull County, Ohio, as of June 30, 2014, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2014, 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.

That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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  
Columbus, Ohio

December 31, 2014

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(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, 2014. 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 2014 are as follows:

- In total, net position of governmental activities decreased \$624,575 which represents a 3.39% decrease under the 2013 balance of \$18,449,988.
- General revenues accounted for \$10,778,458 in revenue or 71.19% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,361,220 or 28.81% of total revenues of \$15,139,678.
- The District had \$15,764,253 in expenses; only \$4,361,220 of these expenses was offset by program specific charges for services and grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$10,778,458 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 \$12,576,181 in revenues and other financing sources and \$12,653,232 in expenditures. During fiscal year 2014, the general fund's fund balance decreased \$76,928 from a beginning balance of \$1,169,590 to \$1,092,662.
- The debt service fund is a major fund of the District. The debt service fund had \$583,931 in revenues and \$604,582 in expenditures. During fiscal year 2014, the debt service fund's fund balance decreased \$20,651 from \$859,413 to \$838,762.
- The permanent improvement fund is a major fund of the District. The permanent improvement fund had \$203,376 in revenues and \$316,883 in expenditures. During fiscal year 2014, the permanent improvement fund's fund balance decreased \$113,507 from \$902,195 to \$788,688.

**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 position 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 non-major 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, 2014  
(UNAUDITED)

**Reporting the District as a Whole**

***Statement of Net Position 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 2014?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, 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 position and changes in that position. This change in net position 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 position 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 position and statement of activities can be found on pages 15-16 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 11. 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 non-major.

***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 position 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 17-21 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(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 position and changes in fiduciary net position on pages 22 and 23. 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 24-54 of this report.

**The District as a Whole**

The table below provides a summary of the District's net position at June 30, 2014 and June 30, 2013.

	<b>Net Position</b>	
	Governmental Activities 2014	Governmental Activities 2013
<b><u>Assets</u></b>		
Current and other assets	\$ 10,101,508	\$ 9,991,012
Capital assets, net	<u>20,463,413</u>	<u>21,224,918</u>
Total assets	<u>30,564,921</u>	<u>31,215,930</u>
<b><u>Deferred outflows of resources</u></b>		
Unamortized deferred charges on debt refunding	<u>289,443</u>	<u>317,009</u>
Total Deferred outflows of resources	<u>289,443</u>	<u>317,009</u>
<b><u>Liabilities</u></b>		
Current liabilities	1,642,794	1,547,375
Long-term liabilities	<u>7,935,216</u>	<u>8,333,668</u>
Total liabilities	<u>9,578,010</u>	<u>9,881,043</u>
<b><u>Deferred inflows of resources</u></b>		
Property taxes levied for the next fiscal year	<u>3,450,941</u>	<u>3,201,908</u>
Total deferred inflows of resources	<u>3,450,941</u>	<u>3,201,908</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	14,001,897	14,227,590
Restricted	1,916,763	2,252,972
Unrestricted	<u>1,906,753</u>	<u>1,969,426</u>
Total net position	<u>\$ 17,825,413</u>	<u>\$ 18,449,988</u>

Over time, net position can serve as a useful indicator of a government's financial position. The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$17,825,413.

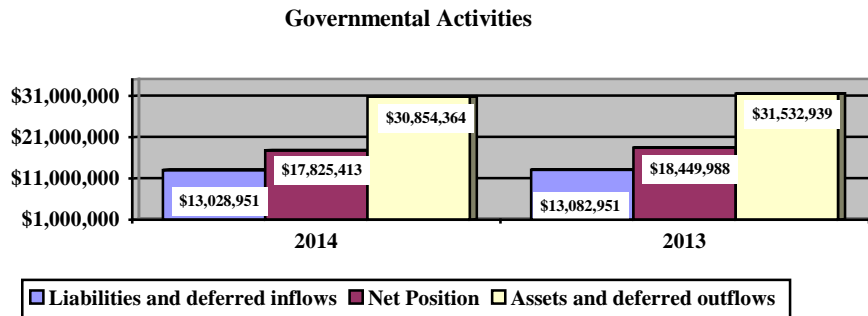
**LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

At fiscal year-end, capital assets represented 66.32% of total assets and deferred outflows. 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, 2014, were \$14,001,897. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$1,916,763, represents resources that are subject to external restriction on how they may be used. Of this total, \$911,099 is restricted for capital projects and \$560,332 is restricted for debt service.

The graph below illustrates the governmental activities assets, liabilities and net position at June 30, 2014 and 2013:



The table below shows the change in net position for fiscal years 2014 and 2013.

	Change in Net Position	
	Governmental Activities 2014	Governmental Activities 2013
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 1,915,904	\$ 1,721,286
Operating grants and contributions	2,445,316	2,326,891
General revenues:		
Property taxes	3,188,924	3,142,844
Grants and entitlements	7,458,094	7,152,599
Investment earnings	10,673	7,511
Miscellaneous	120,767	91,140
Total revenues	15,139,678	14,442,271

During fiscal year 2014 operating grants and contributions increased 5.09% primarily due to an increase in grants related to special education recorded in the District's general fund. 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, 2014  
(UNAUDITED)

	<b>Change in Net Position</b>	
	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 6,903,238	\$ 7,070,108
Special	2,015,397	1,874,613
Vocational	77,770	74,795
Adult education	1,080	-
Other	459,851	362,453
Support services:		
Pupil	732,277	773,442
Instructional staff	272,870	336,657
Board of education	37,770	56,989
Administration	1,096,956	1,098,258
Fiscal	376,146	341,803
Operations and maintenance	1,492,657	1,618,095
Pupil transportation	611,322	587,720
Central	117,701	93,648
Operation of non-instructional services:		
Food service operations	693,318	704,046
Other non-instructional services	4,551	6,021
Extracurricular activities	571,509	571,821
Interest and fiscal charges	<u>299,840</u>	<u>309,133</u>
Total expenses	<u>15,764,253</u>	<u>15,879,602</u>
Change in net position	(624,575)	(1,437,331)
Net position at beginning of year	<u>18,449,988</u>	<u>19,887,319</u>
Net position at end of year	<u>\$ 17,825,413</u>	<u>\$ 18,449,988</u>

**Governmental Activities**

Net position of the District's governmental activities decreased \$624,575 under the 2013 balance. Total governmental expenses of \$15,764,253 were offset by program revenues of \$4,361,220 and general revenues of \$10,778,458. Program revenues supported 27.67% 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 70.33% of total governmental revenue.

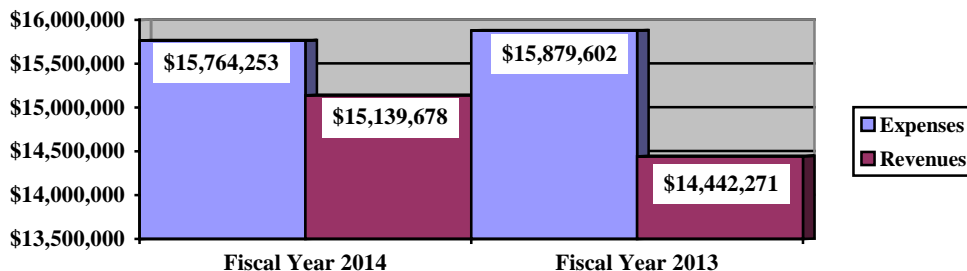
The largest expense of the District is for instructional programs. Instruction expenses totaled \$9,457,336 or 59.99% of total governmental expenses for fiscal year 2014.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

The graph that follows presents the District's governmental activities revenue and expenses for fiscal years 2014 and 2013.

**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 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
<b>Program expenses</b>				
Instruction:				
Regular	\$ 6,903,238	\$ 5,242,761	\$ 7,070,108	\$ 5,570,186
Special	2,015,397	336,330	1,874,613	428,717
Vocational	77,770	45,929	74,795	38,205
Adult education	1,080	1,080	-	-
Other	459,851	459,851	362,453	362,453
Support services:				
Pupil	732,277	697,306	773,442	737,057
Instructional staff	272,870	255,443	336,657	214,545
Board of education	37,770	6,745	56,989	31,627
Administration	1,096,956	1,090,440	1,098,258	1,094,517
Fiscal	376,146	376,146	341,803	341,803
Operations and maintenance	1,492,657	1,442,550	1,618,095	1,616,225
Pupil transportation	611,322	562,649	587,720	543,516
Central	117,701	117,701	93,648	93,648
Operation of non-instructional services				
Food service operations	693,318	13,453	704,046	891
Other non-instructional services	4,551	876	6,021	1,177
Extracurricular activities	571,509	453,933	571,821	447,725
Interest and fiscal charges	299,840	299,840	309,133	309,133
<b>Total expenses</b>	<b>\$ 15,764,253</b>	<b>\$ 11,403,033</b>	<b>\$ 15,879,602</b>	<b>\$ 11,831,425</b>

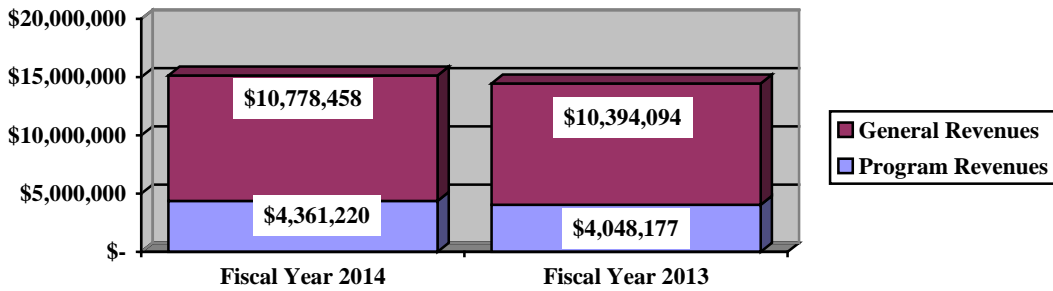
**LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 64.35% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 72.33%. 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 2014 and 2013.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$3,151,817, which is a lower balance than last year's total balance of \$3,501,253. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	Fund Balance <u>June 30, 2014</u>	Fund Balance <u>June 30, 2013</u>	<u>(Decrease)</u>
General	\$ 1,092,662	\$ 1,169,590	\$ (76,928)
Debt service	838,762	859,413	(20,651)
Permanent improvement	788,688	902,195	(113,507)
Other governmental	431,705	570,055	(138,350)
Total	<u>\$ 3,151,817</u>	<u>\$ 3,501,253</u>	<u>\$ (349,436)</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

***General Fund***

The District's general fund's fund balance decreased \$76,928 from a balance of \$1,169,590 to a balance of \$1,092,662. The table that follows assists in illustrating the financial activities of the general fund.

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 2,368,863	\$ 2,418,922	\$ (50,059)	(2.07) %
Tuition	1,471,055	1,334,246	136,809	10.25 %
Earnings on investments	10,624	9,428	1,196	12.69 %
Intergovernmental	8,390,254	7,817,362	572,892	7.33 %
Other revenues	<u>329,122</u>	<u>224,859</u>	<u>104,263</u>	46.37 %
Total	<u>\$ 12,569,918</u>	<u>\$ 11,804,817</u>	<u>\$ 765,101</u>	6.48 %
<b><u>Expenditures</u></b>				
Instruction	\$ 8,106,755	\$ 8,097,744	\$ 9,011	0.11 %
Support services	4,092,802	3,958,999	133,803	3.38 %
Operation of non-instructional services	2,540	2,289	251	10.97 %
Extracurricular activities	302,948	301,347	1,601	0.53 %
Facilities acquisition and construction	5,160	9,079	(3,919)	(43.17) %
Debt service	<u>143,027</u>	<u>143,251</u>	<u>(224)</u>	(0.16) %
Total	<u>\$ 12,653,232</u>	<u>\$ 12,512,709</u>	<u>\$ 140,523</u>	1.12 %

An increase in the fair market value of the District's investments resulted in an increase in interest revenue of 12.69%. An increase in state funding has resulted in an increase in intergovernmental revenue of 7.33%. Tuition revenue increased 10.25% due to an increase in revenues received from open enrollment tuition. Facilities acquisition and construction expenditures decreased by 43.17% in 2014, 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 0.11% and 3.38%, respectively. Expenses related to operation of non-instructional services increased 10.97% due to an increase in expenses spent on community materials and supplies. 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 \$583,931 in revenues and \$604,582 in expenditures and other financing uses. During fiscal year 2014, the debt service fund's fund balance decreased \$20,651 from \$859,413 to \$838,762.

***Permanent Improvement Fund***

The permanent improvement fund is a major fund of the District. The permanent improvement fund had \$203,376 in revenues and \$316,883 in expenditures. During fiscal year 2014, the permanent improvement fund's fund balance decreased \$113,507 from \$902,195 to \$788,688.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2014, the District amended its general fund budget numerous times. For the general fund, original budgeted revenues and other financing sources were \$11,969,143 and final budgeted revenues and other financing sources were \$12,621,703. Actual revenues and other financing sources for fiscal year 2014 was \$12,577,089. This represents a \$44,614 decrease from final budgeted revenues.

General fund final appropriations (appropriated expenditures plus other financing uses) were \$13,209,070, which was higher than the original budgeted appropriations estimate of \$12,957,367. The actual budget basis expenditures and other financing uses for fiscal year 2014 totaled \$12,669,075, which was \$539,995 less than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2014, the District had \$20,463,413 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, 2014 balances compared to June 30, 2013.

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

	Governmental Activities	
	2014	2013
Land	\$ 257,591	\$ 257,591
Land improvements	1,719,478	1,868,998
Buildings and improvements	17,456,775	18,221,489
Furniture and equipment	861,541	663,893
Infrastructure	10,547	10,773
Vehicles	157,481	202,174
Total	\$ 20,463,413	\$ 21,224,918

The overall decrease in capital assets of \$761,505 is due to depreciation expense of \$1,028,279 exceeding capital outlays of \$266,774.

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

***Debt Administration***

At June 30, 2014, the District had \$5,276,828 in general obligation bonds and \$1,660,000 in a lease-purchase agreement outstanding. Of this total, \$534,000 is due within one year and \$6,402,828 is due in greater than one year.

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

MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

The following table summarizes the bonds and lease purchase agreement outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities 2014	Governmental Activities 2013
General obligation bonds	\$ 5,276,828	\$ 5,654,402
Lease purchase agreement	1,660,000	1,707,000
Total	\$ 6,936,828	\$ 7,361,402

At June 30, 2014, the District’s overall legal debt margin was \$6,133,070 and an unvoted debt margin of \$111,148.

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 \$2,069,456 at June 30, 2014. 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 2013 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 POSITION  
JUNE 30, 2014

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 4,655,792
Receivables:	
Taxes . . . . .	5,242,117
Accounts . . . . .	12,423
Intergovernmental . . . . .	145,113
Accrued interest . . . . .	530
Prepayments . . . . .	30,955
Materials and supplies inventory. . . . .	14,578
Capital assets:	
Land . . . . .	257,591
Depreciable capital assets, net. . . . .	20,205,822
Total capital assets, net . . . . .	<u>20,463,413</u>
 Total assets. . . . .	 <u>30,564,921</u>
 <b>Deferred outflows of resources:</b>	
Unamortized deferred charges on debt refunding . . . . .	289,443
Total deferred outflows of resources . . . . .	<u>289,443</u>
 <b>Liabilities:</b>	
Accounts payable. . . . .	40,612
Contracts payable. . . . .	35,735
Accrued wages and benefits payable . . . . .	1,256,022
Pension obligation payable. . . . .	235,384
Intergovernmental payable . . . . .	57,871
Accrued interest payable . . . . .	17,170
Long-term liabilities:	
Due within one year. . . . .	596,664
Due in more than one year. . . . .	7,338,552
 Total liabilities . . . . .	 <u>9,578,010</u>
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year. . . . .	3,450,941
Total deferred inflows of resources . . . . .	<u>3,450,941</u>
 <b>Net position:</b>	
Net investment in capital assets . . . . .	14,001,897
Restricted for:	
Capital projects . . . . .	911,099
Debt service. . . . .	560,332
Classroom facilities maintenance . . . . .	149,928
Federally funded programs . . . . .	4,978
Student activities . . . . .	25,591
Food service operations. . . . .	264,835
Unrestricted. . . . .	<u>1,906,753</u>
 Total net position. . . . .	 <u>\$ 17,825,413</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 6,903,238	\$ 1,567,809	\$ 92,668	\$ (5,242,761)
Special . . . . .	2,015,397	21,514	1,657,553	(336,330)
Vocational . . . . .	77,770	-	31,841	(45,929)
Adult/continuing. . . . .	1,080	-	-	(1,080)
Other . . . . .	459,851	-	-	(459,851)
Support services:				
Pupil. . . . .	732,277	-	34,971	(697,306)
Instructional staff . . . . .	272,870	38	17,389	(255,443)
Board of education . . . . .	37,770	31,025	-	(6,745)
Administration. . . . .	1,096,956	14	6,502	(1,090,440)
Fiscal. . . . .	376,146	-	-	(376,146)
Operations and maintenance . . . . .	1,492,657	50,107	-	(1,442,550)
Pupil transportation. . . . .	611,322	-	48,673	(562,649)
Central . . . . .	117,701	-	-	(117,701)
Operation of non-instructional services:				
Food service operations . . . . .	693,318	151,589	528,276	(13,453)
Other non-instructional services . . . . .	4,551	2,735	940	(876)
Extracurricular activities. . . . .	571,509	91,073	26,503	(453,933)
Interest and fiscal charges . . . . .	299,840	-	-	(299,840)
<b>Total governmental activities . . . . .</b>	<b>\$ 15,764,253</b>	<b>\$ 1,915,904</b>	<b>\$ 2,445,316</b>	<b>(11,403,033)</b>
<b>General revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				2,441,734
Debt service. . . . .				524,718
Facilities maintenance. . . . .				41,465
Capital outlay. . . . .				181,007
Grants and entitlements not restricted to specific programs . . . . .				7,458,094
Investment earnings . . . . .				10,673
Miscellaneous . . . . .				120,767
<b>Total general revenues . . . . .</b>				<b>10,778,458</b>
Change in net position . . . . .				(624,575)
<b>Net position at beginning of year . . . . .</b>				<b>18,449,988</b>
<b>Net position at end of year. . . . .</b>				<b>\$ 17,825,413</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	General	Debt Service	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in pooled cash and cash equivalents. . . . .	\$ 2,386,685	\$ 834,728	\$ 840,306	\$ 594,073	\$ 4,655,792
Receivables:					
Taxes . . . . .	3,934,786	909,052	325,695	72,584	5,242,117
Accounts . . . . .	11,582	-	-	841	12,423
Intergovernmental. . . . .	48,807	-	-	96,306	145,113
Accrued interest . . . . .	530	-	-	-	530
Interfund loans . . . . .	96,306	-	-	-	96,306
Prepayments. . . . .	29,742	-	-	1,213	30,955
Materials and supplies inventory. . . . .	5,635	-	-	8,943	14,578
Total assets . . . . .	<u>\$ 6,514,073</u>	<u>\$ 1,743,780</u>	<u>\$ 1,166,001</u>	<u>\$ 773,960</u>	<u>\$ 10,197,814</u>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 2,843	\$ -	\$ 17,328	\$ 20,441	\$ 40,612
Contracts payable. . . . .	-	-	35,735	-	35,735
Accrued wages and benefits payable . . . . .	1,138,968	-	-	117,054	1,256,022
Compensated absences payable . . . . .	55,894	-	-	-	55,894
Pension obligation payable . . . . .	204,253	-	-	31,131	235,384
Intergovernmental payable . . . . .	52,810	-	-	5,061	57,871
Interfund loans payable. . . . .	-	-	-	96,306	96,306
Total liabilities. . . . .	<u>1,454,768</u>	<u>-</u>	<u>53,063</u>	<u>269,993</u>	<u>1,777,824</u>
<b>Deferred inflows of resources:</b>					
Property taxes levied for the next fiscal year. . . . .	2,590,310	598,439	214,409	47,783	3,450,941
Delinquent property tax revenue not available . . . . .	1,327,013	306,579	109,841	24,479	1,767,912
Accrued interest not available. . . . .	513	-	-	-	513
Miscellaneous revenue not available. . . . .	48,807	-	-	-	48,807
Total deferred inflows of resources . . . . .	<u>3,966,643</u>	<u>905,018</u>	<u>324,250</u>	<u>72,262</u>	<u>5,268,173</u>
<b>Fund balances:</b>					
Nonspendable:					
Materials and supplies inventory. . . . .	5,635	-	-	2,914	8,549
Prepays. . . . .	29,742	-	-	1,213	30,955
Restricted:					
Debt service . . . . .	-	838,762	-	-	838,762
Capital improvements . . . . .	-	-	788,688	12,570	801,258
Classroom facilities maintenance . . . . .	-	-	-	125,449	125,449
Food service operations . . . . .	-	-	-	265,520	265,520
Special education . . . . .	-	-	-	6,289	6,289
Extracurricular activities . . . . .	-	-	-	25,591	25,591
Assigned:					
Student instruction . . . . .	5,000	-	-	-	5,000
Student and staff support. . . . .	50,750	-	-	-	50,750
Subsequent year's appropriations . . . . .	24,131	-	-	-	24,131
Uniform school supplies. . . . .	200	-	-	-	200
Other purposes. . . . .	180,125	-	-	-	180,125
Unassigned (deficit) . . . . .	797,079	-	-	(7,841)	789,238
Total fund balances . . . . .	<u>1,092,662</u>	<u>838,762</u>	<u>788,688</u>	<u>431,705</u>	<u>3,151,817</u>
Total liabilities, deferred outflows and fund balances	<u>\$ 6,514,073</u>	<u>\$ 1,743,780</u>	<u>\$ 1,166,001</u>	<u>\$ 773,960</u>	<u>\$ 10,197,814</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2014

<b>Total governmental fund balances</b>		\$ 3,151,817
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		20,463,413
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Taxes receivable	\$ 1,767,912	
Accrued interest receivable	513	
Intergovernmental receivable	48,807	
Total		1,817,232
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(17,170)
Unamortized premiums on bond issuance are not recognized in the funds.		(381,970)
Unamortized deferred charges on debt refunding		289,443
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	(5,276,828)	
Compensated absences	(560,524)	
Lease-purchase agreement	(1,660,000)	
Total		(7,497,352)
<b>Net position of governmental activities</b>		<b>\$ 17,825,413</b>

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, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$ 2,368,863	\$ 493,119	\$ 175,736	\$ 40,136	\$ 3,077,854
Tuition . . . . .	1,471,055	-	-	-	1,471,055
Transportation fees . . . . .	26,639	-	-	-	26,639
Earnings on investments . . . . .	10,624	-	-	-	10,624
Charges for services . . . . .	-	-	-	151,589	151,589
Classroom materials and fees . . . . .	29,567	-	-	-	29,567
Extracurricular . . . . .	62,634	-	-	92,148	154,782
Rental income . . . . .	50,107	-	-	-	50,107
Contributions and donations . . . . .	36,020	-	-	21,130	57,150
Contract services . . . . .	1,140	-	-	-	1,140
Other local revenues . . . . .	123,015	-	-	5,690	128,705
Intergovernmental - state . . . . .	8,390,254	90,812	27,640	16,190	8,524,896
Intergovernmental - federal . . . . .	-	-	-	1,353,516	1,353,516
Total revenues . . . . .	<u>12,569,918</u>	<u>583,931</u>	<u>203,376</u>	<u>1,680,399</u>	<u>15,037,624</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	6,261,472	-	-	92,088	6,353,560
Special . . . . .	1,307,682	-	-	633,997	1,941,679
Vocational . . . . .	76,670	-	-	-	76,670
Adult/continuing . . . . .	1,080	-	-	-	1,080
Other . . . . .	459,851	-	-	-	459,851
Support services:					
Pupil . . . . .	693,970	-	-	34,000	727,970
Instructional staff . . . . .	173,453	-	-	17,830	191,283
Board of education . . . . .	37,770	-	-	-	37,770
Administration . . . . .	1,023,123	-	-	6,489	1,029,612
Fiscal . . . . .	310,506	11,912	4,114	963	327,495
Operations and maintenance . . . . .	1,214,095	-	-	174,608	1,388,703
Pupil transportation . . . . .	522,184	-	-	47,322	569,506
Central . . . . .	117,701	-	-	-	117,701
Operation of non-instructional services:					
Food service operations . . . . .	-	-	-	677,687	677,687
Other non-instructional services . . . . .	2,540	-	-	2,011	4,551
Extracurricular activities . . . . .	302,948	-	-	124,902	427,850
Facilities acquisition and construction . . . . .	5,160	-	312,769	-	317,929
Debt service:					
Principal retirement . . . . .	47,000	480,000	-	-	527,000
Interest and fiscal charges . . . . .	96,027	112,670	-	-	208,697
Total expenditures . . . . .	<u>12,653,232</u>	<u>604,582</u>	<u>316,883</u>	<u>1,811,897</u>	<u>15,386,594</u>
Deficiency of revenues under expenditures . . . . .	<u>(83,314)</u>	<u>(20,651)</u>	<u>(113,507)</u>	<u>(131,498)</u>	<u>(348,970)</u>
<b>Other financing sources:</b>					
Sale of assets . . . . .	6,263	-	-	-	6,263
Total other financing sources . . . . .	<u>6,263</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,263</u>
Net change in fund balances . . . . .	(77,051)	(20,651)	(113,507)	(131,498)	(342,707)
<b>Fund balances at beginning of year . . . . .</b>	1,169,590	859,413	902,195	570,055	3,501,253
<b>Increase (decrease) in reserve for inventory . . . . .</b>	123	-	-	(6,852)	(6,729)
<b>Fund balances at end of year . . . . .</b>	<u>\$ 1,092,662</u>	<u>\$ 838,762</u>	<u>\$ 788,688</u>	<u>\$ 431,705</u>	<u>\$ 3,151,817</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**Net change in fund balances - total governmental funds** \$ (342,707)

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

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

Capital outlay	\$ 266,774	
Current year depreciation	(1,028,279)	
<b>Total</b>		<b>(761,505)</b>

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

(6,729)

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

Tax revenue	111,070	
Interest revenue	49	
Intergovernmental revenue	(9,065)	
<b>Total</b>		<b>102,054</b>

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 position. Principal payments during the year were:

Bonds	480,000	
Lease-purchase	47,000	
<b>Total</b>		<b>527,000</b>

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	2,471	
Accreted interest on capital appreciation bonds	(102,426)	
Amortization of bond premiums	36,378	
Amortization of deferred charges on refundings	(27,566)	
<b>Total</b>		<b>(91,143)</b>

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.

(51,545)

**Change in net position of governmental activities** \$ (624,575)

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, 2014

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,316,302	\$ 2,442,587	\$ 2,370,312	\$ (72,275)
Tuition . . . . .	1,406,801	1,483,500	1,471,055	(12,445)
Transportation fees . . . . .	-	-	26,639	26,639
Earnings on investments . . . . .	3,319	3,500	4,120	620
Classroom materials and fees . . . . .	17,544	18,500	15,280	(3,220)
Rental income . . . . .	51,208	54,000	50,107	(3,893)
Contributions and donations . . . . .	17,069	18,000	31,025	13,025
Contract services . . . . .	948	1,000	1,140	140
Other local revenues . . . . .	34,139	36,000	69,341	33,341
Intergovernmental - state . . . . .	7,982,170	8,417,359	8,390,254	(27,105)
<b>Total revenues . . . . .</b>	<b>11,829,500</b>	<b>12,474,446</b>	<b>12,429,273</b>	<b>(45,173)</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	6,591,625	6,536,725	6,334,291	202,434
Special . . . . .	1,191,725	1,254,125	1,198,698	55,427
Vocational . . . . .	66,325	94,185	76,265	17,920
Adult education . . . . .	-	1,100	1,080	20
Other . . . . .	366,800	472,800	470,349	2,451
Support services:				
Pupil . . . . .	684,210	690,560	671,204	19,356
Instructional staff . . . . .	154,015	178,515	172,124	6,391
Board of education . . . . .	56,050	48,450	36,622	11,828
Administration . . . . .	1,100,585	1,022,185	1,011,835	10,350
Fiscal . . . . .	296,190	315,471	310,602	4,869
Operations and maintenance . . . . .	1,350,642	1,365,142	1,212,215	152,927
Pupil transportation . . . . .	553,900	558,500	521,796	36,704
Central . . . . .	96,650	119,450	117,701	1,749
Operation of non-instructional services:				
Other non-instructional services . . . . .	200	200	170	30
Extracurricular activities . . . . .	265,423	298,635	289,629	9,006
Facilities acquisition and construction . . . . .	10,000	10,000	5,160	4,840
Debt service:				
Principal retirement . . . . .	47,000	47,000	47,000	-
Interest and fiscal charges . . . . .	96,027	96,027	96,027	-
<b>Total expenditures . . . . .</b>	<b>12,927,367</b>	<b>13,109,070</b>	<b>12,572,768</b>	<b>536,302</b>
Deficiency of revenues under expenditures . . . . .	(1,097,867)	(634,624)	(143,495)	491,129
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	82,502	87,000	87,596	596
Advances in . . . . .	51,167	53,957	53,957	-
Advances (out) . . . . .	(30,000)	(100,000)	(96,307)	3,693
Sale of assets . . . . .	5,974	6,300	6,263	(37)
<b>Total other financing sources (uses) . . . . .</b>	<b>109,643</b>	<b>47,257</b>	<b>51,509</b>	<b>4,252</b>
Net change in fund balance . . . . .	(988,224)	(587,367)	(91,986)	495,381
<b>Fund balance at beginning of year . . . . .</b>	<b>2,146,373</b>	<b>2,146,373</b>	<b>2,146,373</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>9,613</b>	<b>9,613</b>	<b>9,613</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 1,167,762</b>	<b>\$ 1,568,619</b>	<b>\$ 2,064,000</b>	<b>\$ 495,381</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Current assets:		
Equity in pooled cash and cash equivalents . . . . .	\$ 13,083	\$ 33,640
Receivables:		
Accounts . . . . .	-	30
Total assets. . . . .	13,083	33,670
<b>Net position:</b>		
Due to students. . . . .	-	33,670
Held in trust for scholarships . . . . .	13,083	-
Total net position. . . . .	\$ 13,083	\$ 33,670

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Gifts and contributions . . . . .	\$ 10,000
Total additions . . . . .	10,000
 <b>Deductions:</b>	
Scholarships awarded . . . . .	2,415
Total deductions . . . . .	2,415
 Change in net position . . . . .	7,585
<b>Net position at beginning of year . . . . .</b>	<b>5,498</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 13,083</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**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 currently operates 1 elementary school and 1 complex, that consist of 1 elementary, 1 middle and 1 high school. The District is staffed by 46 non-certified and 94 certified personnel to provide services to approximately 1,434 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’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” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34”. 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 government’s 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, 2014

**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 \$31,288 to NEOMIN for fiscal year 2014.

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 2014. 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.

State Support Team Region 5 (SST)

The SST is a jointly governed organization among school districts located in Trumbull, Mahoning, and Columbiana Counties, and Youngstown City. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development in which school districts, the business community, higher education, and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement and in particular, to improvements in instructional programs.

The SST is governed by a Governing Board made up of 19 representatives of the participating school districts, the business community, and Youngstown State University. Members' terms rotate annually. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. Financial information may be obtained by contacting the Mahoning County Educational Service Center, which serves as fiscal agent for the SST.

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 19 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, 2014

**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 and deferred outflows of resources are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities and deferred inflows of resources are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources 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, 2014

**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 position and changes in net position. 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 net position) 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 position 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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

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 deferred outflows of resources and current liabilities and deferred inflows of resources 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, 2014

**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.

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Income taxes, payment in lieu of taxes and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows on the governmental fund financial statements.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**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, 2014

**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 2014, investments were limited to government mutual funds, negotiable certificates of deposits and investments in the State Treasury 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 government mutual funds, 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, 2014.

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 2014 amounted to \$10,624, which includes \$5,282 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, 2014

**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 position, but are not reported in the fund financial statements.

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

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

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

**I. Interfund Balances**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**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 and lease purchases 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, 2014

**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.

*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, 2014

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

**N. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is 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 2014, neither type of transaction occurred.

**Q. Unamortized Bond Premium and Deferred Charges on Debt Refunding**

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 deferred amount is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as a deferred outflow of resources on the statement of net position. On the governmental fund financial statements bond premiums are recognized in the current period.

A reconciliation between the bonds face value and the amount reported on the statement of net position 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, 2014

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2014, the District has implemented GASB Statement No. 67, "Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25", and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 67 improves the usefulness of pension information included in the general purpose external financial reports of state and local governmental pension plans for making decisions and assessing accountability. The implementation of GASB Statement No. 67 did not have an effect on the financial statements of the District.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2014 included the following individual fund deficit:

<u>Nonmajor funds</u>	<u>Deficit</u>
Race to the top	\$ 15
Title I, disadvantaged children	245
Improving teacher quality	7,581

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**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, 2014

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**A. Deposits with Financial Institutions**

At June 30, 2014, the carrying amount of all District deposits was \$2,960,521. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2014, \$2,324,131 of the District’s bank balance of \$3,074,326 was exposed to custodial risk as discussed below, while \$750,195 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, 2014, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>
Government mutual funds	\$ 777,931	\$ 777,931	\$ -	\$ -	\$ -
STAR Ohio	7,988	7,988	-	-	-
Negotiable CD's	<u>956,075</u>	<u>-</u>	<u>-</u>	<u>749,276</u>	<u>206,799</u>
Total	<u>\$ 1,741,994</u>	<u>\$ 785,919</u>	<u>\$ -</u>	<u>\$ 749,276</u>	<u>\$ 206,799</u>

The District’s investments in government mutual funds and negotiable certificates of deposit maintained by Ross, Sinclair & Associates, LLC (RSA) are subject to coverage by the Securities Investor Protection Corporation (SIPC) due to RSA’s status as an SIPC broker.

*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 Government mutual funds carry a rating of AAA by Moody’s and a rating of Aaa by Standard and Poor’s. 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 rating service. 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, 2014

**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. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

*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, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Government mutual funds	\$ 777,931	44.66
STAR Ohio	7,988	0.46
Negotiable CD's	<u>956,075</u>	<u>54.88</u>
Total	<u>\$ 1,741,994</u>	<u>100.00</u>

**C. Reconciliation of Cash and Investments to the Statement of Net Position**

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 position as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,960,521
Investments	<u>1,741,994</u>
Total	<u>\$ 4,702,515</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 4,655,792
Private-purpose trust fund	13,083
Agency fund	<u>33,640</u>
Total	<u>\$ 4,702,515</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund loans receivable/payable consisted of the following at June 30, 2014, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	<u>\$ 96,306</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, 2014

**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 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, 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, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$17,463 in the general fund, \$4,034 in the debt service fund, \$1,445 in the permanent improvement fund and \$322 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$18,912 in the general fund, \$4,147 in the debt service fund, and \$1,577 in the permanent improvement fund and \$349 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, 2014 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 deferred inflows.

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 reported as a deferred inflow.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 103,229,620	93.06	\$ 102,850,270	92.53
Public utility personal	<u>7,703,010</u>	<u>6.94</u>	<u>8,297,470</u>	<u>7.47</u>
<b>Total</b>	<b><u>\$ 110,932,630</u></b>	<b><u>100.00</u></b>	<b><u>\$ 111,147,740</u></b>	<b><u>100.00</u></b>
Tax rate per \$1,000 of assessed valuation for:				
General purposes	\$47.30		\$47.30	
Debt service	5.25		5.50	
Facilities maintenance	0.50		0.50	
Capital outlay	3.00		3.00	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2014 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 position follows:

**Governmental activities:**

Taxes	\$ 5,242,117
Accounts	12,423
Intergovernmental	145,113
Accrued interest	<u>530</u>
<b>Total</b>	<b><u>\$ 5,400,183</u></b>

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, 2014

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance <u>06/30/13</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/14</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 257,591	\$ -	\$ -	\$ 257,591
Total capital assets, not being depreciated	<u>257,591</u>	<u>-</u>	<u>-</u>	<u>257,591</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,034,399	-	-	3,034,399
Buildings and improvements	24,849,595	-	-	24,849,595
Furniture and equipment	1,287,093	266,774	-	1,553,867
Infrastructure	11,300	-	-	11,300
Vehicles	978,304	-	-	978,304
Total capital assets, being depreciated	<u>30,160,691</u>	<u>266,774</u>	<u>-</u>	<u>30,427,465</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,165,401)	(149,520)	-	(1,314,921)
Buildings and improvements	(6,628,106)	(764,714)	-	(7,392,820)
Furniture and equipment	(623,200)	(69,126)	-	(692,326)
Infrastructure	(527)	(226)	-	(753)
Vehicles	(776,130)	(44,693)	-	(820,823)
Total accumulated depreciation	<u>(9,193,364)</u>	<u>(1,028,279)</u>	<u>-</u>	<u>(10,221,643)</u>
Governmental activities capital assets, net	<u>\$ 21,224,918</u>	<u>\$ (761,505)</u>	<u>\$ -</u>	<u>\$ 20,463,413</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 505,160
Special	54,780
Vocational	1,100
<u>Support services:</u>	
Pupil	44,743
Instructional staff	80,758
Administration	64,341
Fiscal	35,335
Operations and maintenance	41,793
Pupil transportation	41,959
Extracurricular activities	148,959
Food service operations	9,351
Total depreciation expense	<u>\$ 1,028,279</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 9 - LONG-TERM OBLIGATIONS**

- A. During fiscal year 2014, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/13</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/14</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
<u>General obligation bonds:</u>					
Capital appreciation bonds					
10.548% (average effective)					
06/01/15 and 06/01/16 maturity	\$ 213,994	\$ -	\$ -	\$ 213,994	\$ -
Accreted interest	430,800	68,007	-	498,807	-
Series 2011, refunding bonds					
Current interest bonds					
1.0% - 3.0%, 12/01/24 maturity	4,925,000	-	(480,000)	4,445,000	485,000
Capital appreciation bonds					
34.62%, 12/01/18 maturity	49,995	-	-	49,995	-
Accreted interest	34,613	34,419	-	69,032	-
	<u>5,654,402</u>	<u>102,426</u>	<u>(480,000)</u>	<u>5,276,828</u>	<u>485,000</u>
Total general obligation bonds payable					
	<u>5,654,402</u>	<u>102,426</u>	<u>(480,000)</u>	<u>5,276,828</u>	<u>485,000</u>
<u>Other long-term obligations:</u>					
OASBO lease-purchase agreement	1,707,000	-	(47,000)	1,660,000	49,000
Compensated absences	553,918	116,589	(54,089)	616,418	62,664
	<u>2,260,918</u>	<u>116,589</u>	<u>(101,089)</u>	<u>2,276,418</u>	<u>111,664</u>
Total other long-term obligations					
	<u>2,260,918</u>	<u>116,589</u>	<u>(101,089)</u>	<u>2,276,418</u>	<u>111,664</u>
Total governmental activities	<u>\$ 7,915,320</u>	<u>\$ 219,015</u>	<u>\$ (581,089)</u>	<u>7,553,246</u>	<u>\$ 596,664</u>
Add: unamortized premium				<u>381,970</u>	
Total on statement of net position				<u>\$ 7,935,216</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, 2014, the District had outstanding borrowings of \$1,660,000.

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 position. Accumulated depreciation as of June 30, 2014 was \$965,530, leaving a current book value of \$1,306,306.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

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

Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 49,000	\$ 90,164	\$ 139,164
2016	52,000	87,291	139,291
2017	54,000	84,275	138,275
2018	57,000	81,117	138,117
2019	60,000	77,848	137,848
2020 - 2024	352,000	334,725	686,725
2025 - 2029	453,000	224,678	677,678
2030 - 2034	583,000	83,256	666,256
Total	<u>\$ 1,660,000</u>	<u>\$ 1,063,354</u>	<u>\$ 2,723,354</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 Position. 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 final maturity date is December 1, 2016.

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

Fiscal <u>Year Ended</u>	Series 2002 Capital Appreciation Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -	\$ -	\$ -
2016	112,369	322,631	435,000
2017	<u>101,625</u>	<u>333,375</u>	<u>435,000</u>
Total	<u>\$ 213,994</u>	<u>\$ 656,006</u>	<u>\$ 870,000</u>



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

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 position. 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, 2014 is \$4,650,000.

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 \$69,032 has been included on the statement of net position at June 30, 2014.

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.

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
2015	\$ 485,000	\$ 103,020	\$ 588,020	\$ -	\$ -	\$ -
2016	60,000	97,630	157,630	-	-	-
2017	65,000	96,505	161,505	-	-	-
2018	500,000	90,920	590,920	-	-	-
2019	-	42,960	42,960	49,995	502,965	552,960
2020 - 2024	2,660,000	279,005	2,939,005	-	-	-
2025	675,000	10,125	685,125	-	-	-
<b>Total</b>	<b>\$ 4,445,000</b>	<b>\$ 720,165</b>	<b>\$ 5,165,165</b>	<b>\$ 49,995</b>	<b>\$ 502,965</b>	<b>\$ 552,960</b>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

**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, 2014, are a voted debt margin of \$6,133,070 (including available funds of \$838,762) and an unvoted debt margin of \$111,148.

**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.

The Superintendent and Treasurer shall be paid a salary based on 260 and 224 working days, respectively. If it becomes necessary for the Treasurer to work more days, the Treasurer will be compensated at a per diem rate for each additional day worked, not to exceed 15 days. The Superintendent shall be paid up to a maximum of 5 days of unused vacation.

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

**LABRAE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 10 - COMPENSATED ABSENCES - (Continued)**

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**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 2014, the District has contracted for the following coverage through The Netherlands Insurance Company:

<u>Coverage</u>	<u>Coverage</u>
General liability:	
Each occurrence	\$ 1,000,000
General aggregate	2,000,000
Products	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	 43,858,364

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, 2014

**NOTE 11 - RISK MANAGEMENT - (Continued)**

**B. Workers' Compensation**

For fiscal year 2014, 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 of one representative from each participating school district (usually the Superintendent or designee). The assembly elects officers for one-year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Consortium. Consortium revenues are generated from charges for services.

**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](http://www.ohsers.org), under "Employers/Audit Resources".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 12 - PENSION PLANS - (Continued)**

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 2014, 13.05 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 14 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, 2014, 2013 and 2012 were \$165,361, \$173,000 and \$167,965, respectively; 82.95 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**B. State Teachers Retirement System of Ohio**

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 12 - PENSION PLANS - (Continued)**

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 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 14 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, 2014, 2013 and 2012 were \$784,599, \$787,379 and \$774,085, respectively; 83.32 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$30,039 made by the District and \$23,602 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, 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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 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](http://www.ohsers.org), under "Employers/Audit Resources".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

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 2014, 0.14 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 2014, the actuarially determined amount was \$20,250.

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, 2014, 2013 and 2012 were \$27,413, \$28,116 and \$34,611, respectively; 82.95 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$9,593, \$9,773 and \$9,919, respectively; 82.95 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**B. State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, 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, 2014, 2013 and 2012 were \$60,354, \$60,568 and \$59,545, respectively; 83.32 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**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).

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	\$ (91,986)
Net adjustment for revenue accruals	13,355
Net adjustment for expenditure accruals	41,612
Net adjustment for other sources/uses	(45,246)
Funds budgeted elsewhere	(242)
Adjustment for encumbrances	5,456
GAAP basis	\$ (77,051)

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 15 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**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, 2013	\$ -
Current year set-aside requirement	247,615
Current year offsets	(175,868)
Prior year offset from bond proceeds	<u>(71,747)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u>\$ -</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 16 - SET-ASIDES - (Continued)**

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 \$7,722,204 at June 30, 2014.

**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>Encumbrances</u>
General fund	\$ 2,613
Permanent improvement fund	8,523
Other governmental funds	<u>6,310</u>
	<u>\$ 17,446</u>

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LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2014

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	\$103,056	\$103,056
National School Lunch Program	10.555	335,598	335,598
<b>Direct Program:</b>			
Non-Cash Assistance:			
National School Lunch Program	10.555	48,611	48,611
Sub-Total U.S. Department of Agriculture - Nutrition Cluster		487,265	487,265
Child and Adult Care Food Program	10.558	31,896	31,896
Total U.S. Department of Agriculture		519,161	519,161
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	42,956	57,972
Title I Grants to Local Educational Agencies	84.010	387,631	382,326
Total Title I Part A Grants to Local Educational Agencies Cluster		430,587	440,298
Special Education Grants to States	84.027	11,000	21,802
Special Education Grants to States	84.027	265,184	255,678
Total Special Education Grants to States - Special Education Cluster		276,184	277,480
Improving Teacher Quality State Grants	84.367	0	14,360
Improving Teacher Quality State Grants	84.367	80,432	78,393
		80,432	92,753
Race to the Top	84.395	1,400	1,400
Race to the Top	84.395	3,400	3,400
		4,800	4,800
Total U.S. Department of Education		792,003	815,331
<b>Totals:</b>		<b>\$1,311,164</b>	<b>\$1,334,492</b>

The accompanying notes are an integral part of this schedule.

**LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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 N. Leavitt Rd.  
Leavittsburg, Ohio 44430-9644

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of LaBrae Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 31, 2014.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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  
Columbus, Ohio

December 31, 2014





# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE 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:

### ***Report on Compliance for the Major Federal Program***

We have audited the LaBrae Local School District's (the District) compliance with the applicable 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, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the LaBrae Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

***Report on Internal Control Over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine 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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 31, 2014

**LABRAE LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Grants to Local Education Agencies Cluster CFDA Number 84.010
<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  
FEBRUARY 10, 2015**