



Dave Yost • Auditor of State

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

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TRUMBULL COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

LaBrae Local School District
Trumbull County
1001 North 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, 2016, 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, 2016, and the respective changes in financial position thereof 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*, and schedules of net pension liabilities and pension contributions 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 Receipts and Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is 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 this 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 March 10, 2017, 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

March 10, 2017

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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, 2016. 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 2016 are as follows:

- In total, net position of governmental activities increased \$30,328 which represents a 3.32% increase over the 2015 deficit balance of \$914,111.
- General revenues accounted for \$11,164,292 in revenue or 71.93% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,357,007 or 28.07% of total revenues of \$15,521,299.
- The District had \$15,490,971 in expenses; only \$4,357,007 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 \$11,164,292 were 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 \$14,902,335 in revenues and other financing sources and \$14,378,578 in expenditures and other financing uses. During fiscal year 2016, the general fund's fund balance increased \$524,623 from a beginning balance of \$1,630,063 to \$2,154,686.
- The debt service fund is a major fund of the District. The debt service fund had \$670,494 in revenues and \$605,402 in expenditures. During fiscal year 2016, the debt service fund's fund balance increased \$65,092 from \$907,071 to \$972,163.
- The permanent improvement fund is a major fund of the District. The permanent improvement fund had \$220,956 in revenues and \$148,150 in expenditures. During fiscal year 2016, the permanent improvement fund's fund balance increased \$72,806 from \$827,734 to \$900,540.

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, 2016
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 2016?" 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 17-18 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 14. 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 19-23 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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 24 and 25. 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 27-63 of this report.

Required Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net position liability. The required supplementary information can be found on pages 64 through 70 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

The District as a Whole

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

The table below provides a summary of the District's net position at June 30, 2016 and June 30, 2015.

	Net Position	
	Governmental Activities 2016	Governmental Activities 2015
<u>Assets</u>		
Current and other assets	\$ 10,685,710	\$ 9,952,199
Capital assets, net	<u>18,758,932</u>	<u>19,708,473</u>
Total assets	<u>29,444,642</u>	<u>29,660,672</u>
<u>Deferred outflows of resources</u>		
Unamortized deferred charges on debt refunding	234,311	261,877
Pension	<u>1,806,949</u>	<u>1,163,735</u>
Total Deferred outflows of resources	<u>2,041,260</u>	<u>1,425,612</u>
<u>Liabilities</u>		
Current liabilities	1,514,563	1,488,383
Long-term liabilities:		
Due within one year	624,533	641,438
Due in more than one year		
Net pension liability	18,160,878	16,262,954
Other amounts	<u>7,016,450</u>	<u>7,160,885</u>
Total liabilities	<u>27,316,424</u>	<u>25,553,660</u>
<u>Deferred inflows of resources</u>		
Property taxes levied for the next fiscal year	3,520,658	3,487,820
Pension	<u>1,532,603</u>	<u>2,958,915</u>
Total deferred inflows of resources	<u>5,053,261</u>	<u>6,446,735</u>
<u>Net Position</u>		
Net investment in capital assets	12,517,392	13,536,182
Restricted	2,040,621	1,755,518
Unrestricted (deficit)	<u>(15,441,796)</u>	<u>(16,205,811)</u>
Total net position	<u>\$ (883,783)</u>	<u>\$ (914,111)</u>

During a prior fiscal year, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," and GASB Statement 71 "Pension Transition for Contributions made subsequent to the measurement date—an Amendment of GASB Statement No.68," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's liabilities plus deferred inflows of resources exceeded assets plus deferred outflows of resources by \$883,783.

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

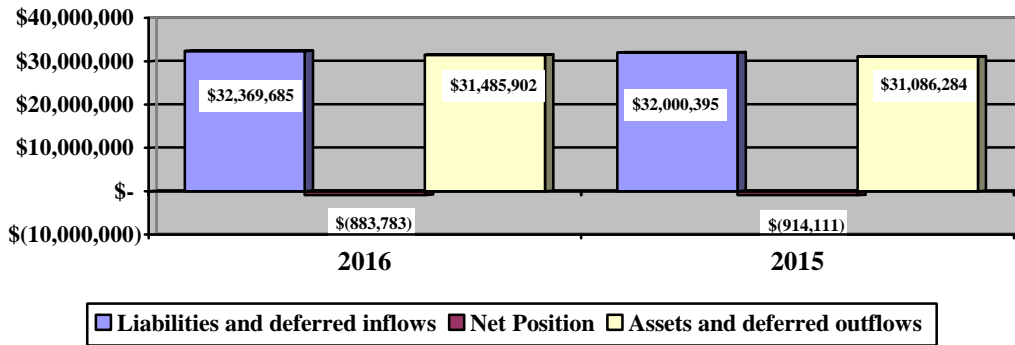
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

At fiscal year-end, capital assets represented 59.58% 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, 2016, were \$12,517,392. 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, \$2,040,621, represents resources that are subject to external restriction on how they may be used. Of this total, \$983,356 is restricted for capital projects and \$673,501 is restricted for debt service.

The graph below illustrates the governmental activities assets, liabilities and net position at June 30, 2016 and 2015:

Governmental Activities



The table below shows the change in net position for fiscal years 2016 and 2015.

	Change in Net Position	
	Governmental Activities 2016	Governmental Activities 2015
Revenues		
Program revenues:		
Charges for services and sales	\$ 1,979,251	\$ 1,994,455
Operating grants and contributions	2,377,756	2,269,479
General revenues:		
Property taxes	3,304,257	2,622,828
Grants and entitlements	7,753,378	7,785,879
Investment earnings	10,061	6,689
Miscellaneous	96,596	58,194
Total revenues	<u>15,521,299</u>	<u>14,737,524</u>

During fiscal year 2016 operating grants and contributions increased 4.77% primarily due to an increase in grants related to Title I. Tax revenues increased due to fluctuations in delinquent property taxes receivable. Miscellaneous revenues increased due to an increase in refunds and reimbursements received in the general fund. 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, 2016
UNAUDITED

	Change in Net Position	
	Governmental	Governmental
	Activities	Activities
	<u>2016</u>	<u>2015</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 6,671,836	\$ 7,069,107
Special	1,916,391	1,677,694
Vocational	101,186	73,348
Adult education	50	-
Other	440,211	470,024
Support services:		
Pupil	678,511	670,761
Instructional staff	275,343	264,350
Board of education	32,976	47,346
Administration	1,172,674	1,047,880
Fiscal	349,615	322,741
Operations and maintenance	1,259,244	1,326,910
Pupil transportation	515,357	528,015
Central	116,855	113,132
Operation of non-instructional services:		
Food service operations	698,909	640,002
Other non-instructional services	9,820	5,509
Extracurricular activities	563,124	515,898
Interest and fiscal charges	<u>688,869</u>	<u>310,346</u>
Total expenses	<u>15,490,971</u>	<u>15,083,063</u>
Change in net position	30,328	(345,539)
Net position at beginning of year	<u>(914,111)</u>	<u>(568,572)</u>
Net position at end of year	<u>\$ (883,783)</u>	<u>\$ (914,111)</u>

Governmental Activities

Net position of the District's governmental activities increased \$30,328 over the 2015 balance. Total governmental expenses of \$15,490,971 were offset by program revenues of \$4,357,007 and general revenues of \$11,164,292. Program revenues supported 28.13% 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 71.24% of total governmental revenue.

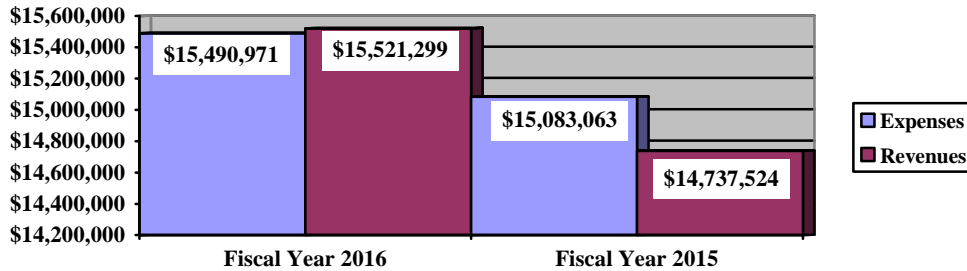
The largest expense of the District is for instructional programs. Instruction expenses totaled \$9,129,674 or 58.94% of total governmental expenses for fiscal year 2016.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

The graph that follows presents the District's governmental activities revenue and expenses for fiscal years 2016 and 2015.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>
Program expenses				
Instruction:				
Regular	\$ 6,671,836	\$ 4,908,000	\$ 7,069,107	\$ 5,274,119
Special	1,916,391	266,590	1,677,694	134,962
Vocational	101,186	73,723	73,348	56,717
Adult education	50	50	-	-
Other	440,211	440,211	470,024	470,024
Support services:				
Pupil	678,511	653,471	670,761	633,606
Instructional staff	275,343	263,481	264,350	253,223
Board of education	32,976	8,464	47,346	29,542
Administration	1,172,674	1,156,112	1,047,880	1,033,909
Fiscal	349,615	349,615	322,741	322,741
Operations and maintenance	1,259,244	1,187,931	1,326,910	1,273,387
Pupil transportation	515,357	476,379	528,015	483,279
Central	116,855	116,855	113,132	113,132
Operation of non-instructional services				
Food service operations	698,909	82,567	640,002	8,283
Other non-instructional services	9,820	831	5,509	2,122
Extracurricular activities	563,124	460,815	515,898	419,737
Interest and fiscal charges	688,869	688,869	310,346	310,346
Total expenses	<u>\$ 15,490,971</u>	<u>\$ 11,133,964</u>	<u>\$ 15,083,063</u>	<u>\$ 10,819,129</u>

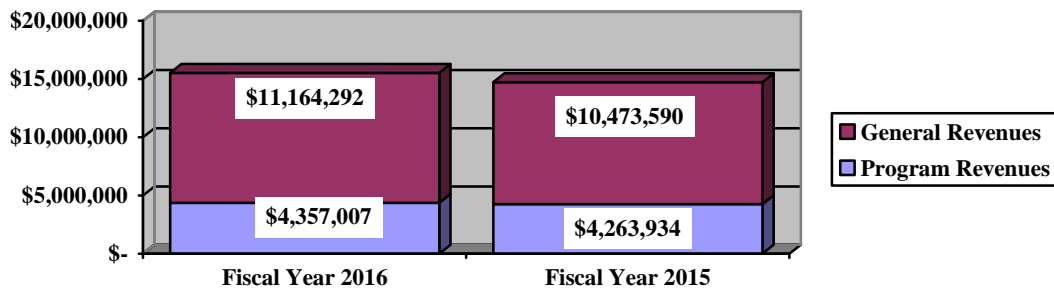
**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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The dependence upon tax and other general revenues for governmental activities is apparent, 62.31% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 71.87%. 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 2016 and 2015.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$4,379,981, which is a higher balance than last year's total balance of \$3,795,015. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2016 and 2015.

	Fund Balance <u>June 30, 2016</u>	Fund Balance <u>June 30, 2015</u>	Increase / <u>(Decrease)</u>
General	\$ 2,154,686	\$ 1,630,063	\$ 524,623
Debt service	972,163	907,071	65,092
Permanent improvement	900,540	827,734	72,806
Other governmental	<u>352,592</u>	<u>430,147</u>	<u>(77,555)</u>
Total	<u>\$ 4,379,981</u>	<u>\$ 3,795,015</u>	<u>\$ 584,966</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

General Fund

The District's general fund's fund balance increased \$524,623 from a balance of \$1,630,063 to a balance of \$2,154,686. The table that follows assists in illustrating the financial activities of the general fund.

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 2,459,034	\$ 2,503,980	\$ (44,946)	(1.79) %
Tuition	1,553,636	1,603,247	(49,611)	(3.09) %
Earnings on investments	7,737	6,689	1,048	15.67 %
Intergovernmental	8,490,064	8,529,893	(39,829)	(0.47) %
Other revenues	<u>361,864</u>	<u>278,623</u>	<u>83,241</u>	29.88 %
Total	<u>\$ 12,872,335</u>	<u>\$ 12,922,432</u>	<u>\$ (50,097)</u>	(0.39) %
<u>Expenditures</u>				
Instruction	\$ 7,922,962	\$ 8,045,992	\$ (123,030)	(1.53) %
Support services	3,872,639	3,908,511	(35,872)	(0.92) %
Operation of non-instructional services	1,249	2,025	(776)	(38.32) %
Extracurricular activities	329,683	286,018	43,665	15.27 %
Facilities acquisition and construction	1,100	976	124	12.70 %
Capital outlay	-	253,587	(253,587)	100.00 %
Debt service	<u>254,285</u>	<u>142,435</u>	<u>111,850</u>	78.53 %
Total	<u>\$ 12,381,918</u>	<u>\$ 12,639,544</u>	<u>\$ (257,626)</u>	(2.04) %

Tax revenue decreased 1.79% due to a decrease in real estate taxes. Tuition revenue decreased 3.09% due to a decrease in revenues received from open enrollment tuition. Other revenues increased 29.88% due to an increase in revenues associated with refunds and reimbursements. A decrease in personnel expenditures has resulted in a decrease in instruction and support services of 1.53% and 0.92%, respectively. Expenditures related to capital outlay decreased due to the District entering into a lease purchase agreement during the prior fiscal year and not entering into any such agreements during the current fiscal year. Debt service expenditures increased during the current fiscal year, because the District refinanced general fund debt. 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 \$670,494 in revenues and \$605,402 in expenditures. During fiscal year 2016, the debt service fund's fund balance increased \$65,092 from \$907,071 to \$972,163.

Permanent Improvement Fund

The permanent improvement fund is a major fund of the District. The permanent improvement fund had \$220,956 in revenues and \$148,150 in expenditures. During fiscal year 2016, the permanent improvement fund's fund balance increased \$72,806 from \$827,734 to \$900,540.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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 2016, the District amended its general fund budget numerous times. For the general fund, original budgeted revenues and other financing sources were \$12,880,852 and final budgeted revenues and other financing sources were \$13,071,595. Actual revenues and other financing sources for fiscal year 2016 was \$15,028,407. This represents a \$1,956,812 increase from final budgeted revenues. This increase was due primarily to an unbudgeted \$2,030,000 lease purchase agreement.

General fund final appropriations (appropriated expenditures plus other financing uses) were \$13,252,315, which was higher than the original budgeted appropriations estimate of \$12,563,243. The actual budget basis expenditures and other financing uses for fiscal year 2016 totaled \$14,614,274, which was \$1,361,959 more than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the District had \$18,758,932 invested in land, land improvements, buildings and improvements, furniture and equipment, infrastructure and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2016 balances compared to June 30, 2015.

	Capital Assets at June 30	
	(Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Land	\$ 257,591	\$ 257,591
Land improvements	1,420,439	1,569,958
Buildings and improvements	15,927,348	16,692,062
Furniture and equipment	809,636	808,855
Infrastructure	10,095	10,321
Vehicles	<u>333,823</u>	<u>369,686</u>
Total	<u>\$ 18,758,932</u>	<u>\$ 19,708,473</u>

The overall decrease in capital assets of \$949,541 is due to depreciation expense of \$1,057,925 and disposals (net of accumulated depreciation) of \$8,306 exceeding capital outlays of \$116,690.

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

Debt Administration

At June 30, 2016, the District had \$4,549,293 in general obligation bonds and \$2,115,018 in lease-purchase agreements outstanding. Of this total, \$606,671 is due within one year and \$6,057,640 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, 2016
UNAUDITED

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

	Outstanding Debt, at Year End	
	Governmental Activities	Governmental Activities
	<u>2016</u>	<u>2015</u>
General obligation bonds	\$ 4,549,293	\$ 4,915,429
Lease purchase agreement	<u>2,115,018</u>	<u>1,864,587</u>
Total	<u>\$ 6,664,311</u>	<u>\$ 6,780,016</u>

At June 30, 2016, the District's overall legal debt margin was \$6,968,278 and an unvoted debt margin of \$111,642.

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 \$2,955,385 at June 30, 2016. 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 financial statement 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, 2016

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 5,710,251
Receivables:	
Taxes	4,773,271
Accounts.	1,879
Intergovernmental	154,850
Accrued interest	2,962
Prepayments	30,800
Materials and supplies inventory.	11,697
Capital assets:	
Land.	257,591
Depreciable capital assets, net.	18,501,341
Total capital assets, net	<u>18,758,932</u>
Total assets.	<u>29,444,642</u>
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	234,311
Pension - STRS	1,541,317
Pension - SERS	265,632
Total deferred outflows of resources	<u>2,041,260</u>
 Liabilities:	
Accounts payable.	25,920
Accrued wages and benefits payable	1,277,875
Pension obligation payable.	171,153
Intergovernmental payable	23,531
Accrued interest payable	16,084
Long-term liabilities:	
Due within one year.	624,533
Due in more than one year:	
Net pension liability	18,160,878
Other amounts due in more than one year	7,016,450
Total liabilities	<u>27,316,424</u>
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	3,520,658
Pension - STRS.	1,454,866
Pension - SERS.	77,737
Total deferred inflows of resources	<u>5,053,261</u>
 Net position:	
Net investment in capital assets	12,517,392
Restricted for:	
Capital projects	983,356
Debt service.	673,501
Classroom facilities maintenance	185,135
Federally funded programs	34,727
Student activities	24,094
Food service operations.	139,808
Unrestricted (deficit)	(15,441,796)
Total net position.	<u>\$ (883,783)</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, 2016

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 6,671,836	\$ 1,642,649	\$ 121,187	\$ (4,908,000)
Special	1,916,391	10,860	1,638,941	(266,590)
Vocational	101,186	-	27,463	(73,723)
Adult/continuing.	50	-	-	(50)
Other	440,211	-	-	(440,211)
Support services:				
Pupil.	678,511	878	24,162	(653,471)
Instructional staff	275,343	-	11,862	(263,481)
Board of education	32,976	24,512	-	(8,464)
Administration.	1,172,674	1,679	14,883	(1,156,112)
Fiscal.	349,615	-	-	(349,615)
Operations and maintenance	1,259,244	67,293	4,020	(1,187,931)
Pupil transportation.	515,357	554	38,424	(476,379)
Central	116,855	-	-	(116,855)
Operation of non-instructional services:				
Food service operations	698,909	137,183	479,159	(82,567)
Other non-instructional services	9,820	6,859	2,130	(831)
Extracurricular activities.	563,124	86,784	15,525	(460,815)
Interest and fiscal charges	688,869	-	-	(688,869)
Total governmental activities	\$ 15,490,971	\$ 1,979,251	\$ 2,377,756	(11,133,964)
General revenues:				
Property taxes levied for:				
General purposes				2,534,572
Debt service.				545,841
Facilities maintenance.				41,575
Capital outlay.				182,269
Grants and entitlements not restricted				
to specific programs				7,753,378
Investment earnings				10,061
Miscellaneous				96,596
Total general revenues				11,164,292
Change in net position				30,328
Net position at beginning of year				(914,111)
Net position at end of year.				\$ (883,783)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents.	\$ 3,287,368	\$ 966,693	\$ 911,221	\$ 544,969	\$ 5,710,251
Receivables:					
Taxes	3,596,351	840,497	274,491	61,932	4,773,271
Accounts	1,491	-	-	388	1,879
Intergovernmental.	16,810	-	-	138,040	154,850
Accrued interest	2,962	-	-	-	2,962
Interfund loans	138,040	-	-	-	138,040
Prepayments.	28,714	-	178	1,908	30,800
Materials and supplies inventory.	7,427	-	-	4,270	11,697
Total assets	<u>\$ 7,079,163</u>	<u>\$ 1,807,190</u>	<u>\$ 1,185,890</u>	<u>\$ 751,507</u>	<u>\$ 10,823,750</u>
Liabilities:					
Accounts payable	\$ 6,423	\$ -	\$ 12,645	\$ 6,852	\$ 25,920
Accrued wages and benefits payable	1,147,870	-	-	130,005	1,277,875
Compensated absences payable	12,133	-	-	-	12,133
Pension obligation payable	150,278	-	-	20,875	171,153
Intergovernmental payable	21,781	-	-	1,750	23,531
Interfund loans payable.	-	-	-	138,040	138,040
Total liabilities.	<u>1,338,485</u>	<u>-</u>	<u>12,645</u>	<u>297,522</u>	<u>1,648,652</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year.	2,652,587	619,932	202,459	45,680	3,520,658
Delinquent property tax revenue not available.	920,359	215,095	70,246	15,849	1,221,549
Intergovernmental revenue not available.	-	-	-	39,864	39,864
Accrued interest not available.	2,837	-	-	-	2,837
Miscellaneous revenue not available.	10,209	-	-	-	10,209
Total deferred inflows of resources	<u>3,585,992</u>	<u>835,027</u>	<u>272,705</u>	<u>101,393</u>	<u>4,795,117</u>
Fund balances:					
Nonspendable:					
Materials and supplies inventory.	7,427	-	-	1,760	9,187
Prepays.	28,714	-	178	1,908	30,800
Restricted:					
Debt service	-	972,163	-	-	972,163
Capital improvements	-	-	900,362	12,570	912,932
Classroom facilities maintenance	-	-	-	168,476	168,476
Food service operations	-	-	-	141,957	141,957
Special education	-	-	-	1,851	1,851
Targeted academic assistance	-	-	-	17,988	17,988
Extracurricular activities	-	-	-	24,094	24,094
Assigned:					
Student and staff support.	37,365	-	-	-	37,365
Uniform school supplies.	7,263	-	-	-	7,263
Other purposes.	171,093	-	-	-	171,093
Unassigned (deficit)	1,902,824	-	-	(18,012)	1,884,812
Total fund balances	<u>2,154,686</u>	<u>972,163</u>	<u>900,540</u>	<u>352,592</u>	<u>4,379,981</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 7,079,163</u>	<u>\$ 1,807,190</u>	<u>\$ 1,185,890</u>	<u>\$ 751,507</u>	<u>\$ 10,823,750</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, 2016

Total governmental fund balances		\$ 4,379,981
<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.		18,758,932
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Taxes receivable	\$ 1,221,549	
Accrued interest receivable	2,837	
Intergovernmental receivable	50,073	
Total	1,274,459	1,274,459
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(16,084)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred outflows of resources - pension	1,806,949	
Deferred inflows of resources - pension	(1,532,603)	
Net pension liability	(18,160,878)	
Total	(17,886,532)	(17,886,532)
Unamortized premiums on bond issuance are not recognized in the funds.		(309,213)
Unamortized amounts on refundings are not recognized in the funds.		234,311
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	(4,549,293)	
Compensated absences	(655,326)	
Lease purchase agreements	(2,115,018)	
Total	(7,319,637)	(7,319,637)
Net position of governmental activities		\$ (883,783)

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, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Taxes	\$ 2,459,034	\$ 530,140	\$ 182,018	\$ 41,229	\$ 3,212,421
Tuition	1,553,636	-	-	-	1,553,636
Earnings on investments	7,737	-	-	-	7,737
Charges for services	-	-	-	137,183	137,183
Classroom materials and fees	28,651	-	-	-	28,651
Extracurricular	74,636	-	-	93,643	168,279
Rental income	66,270	-	-	-	66,270
Contributions and donations	28,644	-	-	11,414	40,058
Contract services	720	-	-	-	720
Other local revenues	162,943	-	-	5,338	168,281
Intergovernmental - state	8,490,064	140,354	38,938	59,046	8,728,402
Intergovernmental - federal	-	-	-	1,275,637	1,275,637
Total revenues	<u>12,872,335</u>	<u>670,494</u>	<u>220,956</u>	<u>1,623,490</u>	<u>15,387,275</u>
Expenditures:					
Current:					
Instruction:					
Regular	6,206,446	-	-	79,710	6,286,156
Special	1,210,886	-	-	648,258	1,859,144
Vocational	65,369	-	-	-	65,369
Adult/continuing	50	-	-	-	50
Other	440,211	-	-	-	440,211
Support services:					
Pupil	599,846	-	-	20,000	619,846
Instructional staff	187,924	-	-	12,210	200,134
Board of education	33,227	-	-	-	33,227
Administration	1,134,661	-	-	7,626	1,142,287
Fiscal	298,912	12,772	4,300	992	316,976
Operations and maintenance	1,069,525	-	-	86,417	1,155,942
Pupil transportation	431,689	-	-	35,000	466,689
Central	116,855	-	-	-	116,855
Operation of non-instructional services:					
Food service operations	-	-	-	700,179	700,179
Other operation of non-instructional	1,249	-	-	8,571	9,820
Extracurricular activities	329,683	-	-	97,931	427,614
Facilities acquisition and construction	1,100	-	143,850	-	144,950
Debt service:					
Principal retirement	168,569	495,000	-	-	663,569
Interest and fiscal charges	52,376	97,630	-	-	150,006
Loan issuance costs	33,340	-	-	-	33,340
Total expenditures	<u>12,381,918</u>	<u>605,402</u>	<u>148,150</u>	<u>1,696,894</u>	<u>14,832,364</u>
Excess (deficiency) of revenues over (under) expenditures	<u>490,417</u>	<u>65,092</u>	<u>72,806</u>	<u>(73,404)</u>	<u>554,911</u>
Other financing sources (uses):					
Refunding of lease purchase agreement	2,030,000	-	-	-	2,030,000
Payment to escrow agent	(1,996,660)	-	-	-	(1,996,660)
Total other financing sources (uses)	<u>33,340</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,340</u>
Net change in fund balances	523,757	65,092	72,806	(73,404)	588,251
Fund balances at beginning of year	1,630,063	907,071	827,734	430,147	3,795,015
Increase (decrease) in reserve for inventory	866	-	-	(4,151)	(3,285)
Fund balances at end of year	<u>\$ 2,154,686</u>	<u>\$ 972,163</u>	<u>\$ 900,540</u>	<u>\$ 352,592</u>	<u>\$ 4,379,981</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, 2016

Net change in fund balances - total governmental fund:	\$	588,251
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.		
Capital outlay	\$ 116,690	
Current year depreciation	(1,057,925)	
Total		(941,235)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(8,306)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		(3,285)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Tax revenue	91,836	
Interest revenue	2,324	
Intergovernmental revenue	38,788	
Total		132,948
Repayment of bonds 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	495,000	
Lease-purchase	168,569	
Total		663,569
Refundings of lease purchase agreements are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(2,030,000)
Payments to escrow for the retirement of lease purchase agreements are an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position.		
		1,611,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	188	
Accreted interest on capital appreciation bonds	(128,864)	
Amortization of bond premiums	36,379	
Amortization of deferred charges on refundings	(27,566)	
Total		(119,863)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		1,013,880
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(842,278)
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.		
		(34,353)
Change in net position of governmental activities	\$	30,328

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, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 2,453,731	\$ 2,490,681	\$ 2,468,051	\$ (22,630)
Tuition	1,544,738	1,568,000	1,553,636	(14,364)
Earnings on investments	23,348	23,700	21,201	(2,499)
Classroom materials and fees	17,437	17,700	17,382	(318)
Rental income	66,006	67,000	66,270	(730)
Contributions and donations	26,107	26,500	24,512	(1,988)
Contract services	985	1,000	720	(280)
Other local revenues	90,143	91,500	89,917	(1,583)
Intergovernmental - state	8,443,943	8,571,100	8,499,851	(71,249)
Total revenues	12,666,438	12,857,181	12,741,540	(115,641)
Expenditures:				
Current:				
Instruction:				
Regular	6,424,019	6,478,055	6,336,211	141,844
Special	1,040,935	1,246,619	1,204,885	41,734
Vocational	72,692	72,870	65,352	7,518
Adult education	-	50	50	-
Other	475,024	441,750	440,542	1,208
Support services:				
Pupil	635,309	621,225	596,899	24,326
Instructional staff	177,564	214,816	186,763	28,053
Board of education	52,483	48,820	33,566	15,254
Administration	1,036,385	1,137,609	1,112,182	25,427
Fiscal	291,206	319,550	300,151	19,399
Operations and maintenance	1,154,277	1,336,900	1,073,334	263,566
Pupil transportation	554,108	556,014	487,809	68,205
Central	113,132	117,301	116,855	446
Operation of non-instructional services:				
Other non-instructional services	170	300	275	25
Extracurricular activities	295,481	345,060	322,884	22,176
Facilities acquisition and construction	9,109	8,000	1,100	6,900
Debt service:				
Principal retirement	49,000	115,000	115,000	-
Interest and fiscal charges	93,435	52,376	52,376	-
Loan issuance costs	-	-	33,340	(33,340)
Total expenditures	12,474,329	13,112,315	12,479,574	632,741
 Excess (deficiency) of revenues over (under) expenditures	 192,109	 (255,134)	 261,966	 517,100
Other financing sources (uses):				
Refund of prior year's expenditures	120,000	120,000	163,807	43,807
Advances in	88,914	88,914	88,914	-
Advances (out)	(88,914)	(140,000)	(138,040)	1,960
Refunding of lease purchase agreement	-	-	2,030,000	2,030,000
Payment to escrow agent	-	-	(1,996,660)	(1,996,660)
Sale of capital assets	5,500	5,500	4,146	(1,354)
Total other financing sources (uses)	125,500	74,414	152,167	77,753
 Net change in fund balance	 317,609	 (180,720)	 414,133	 594,853
Fund balance at beginning of year	2,469,927	2,469,927	2,469,927	-
Prior year encumbrances appropriated	59,255	59,255	59,255	-
Fund balance at end of year	\$ 2,846,791	\$ 2,348,462	\$ 2,943,315	\$ 594,853

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$ 14,583	\$ 33,744
Total assets.	14,583	\$ 33,744
Liabilities:		
Due to students.	-	\$ 33,744
Total liabilities	-	\$ 33,744
Net position:		
Held in trust for scholarships	14,583	
Total net position.	\$ 14,583	

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, 2016

	Private Purpose Trust
	Scholarship
Additions:	
Gifts and contributions.	\$ 5,000
Deductions:	
Scholarships awarded	1,500
Change in net position	3,500
Net position at beginning of year.	11,083
Net position at end of year	\$ 14,583

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, 2016

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 47 non-certified and 93 certified personnel to provide services to approximately 1,268 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, 2016

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 \$30,787 to NEOMIN for fiscal year 2016.

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 2016. 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, 2016

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, 2016

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, 2016

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 Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, See Note 13 for deferred outflows of resources related the District's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, See Note 13 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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.

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 2016, 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, 2016.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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 2016 amounted to \$7,737, which includes \$3,409 assigned from other District funds.

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

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

K. Prepayments

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

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

M. Fund Balance

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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.

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 2016, neither type of transaction occurred.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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.

R. Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

S. Fair Market Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

**LABRAE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2016 included the following individual fund deficit:

<u>Nonmajor fund</u>	<u>Deficit</u>
Improving teacher quality	\$ 18,012

The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

**LABRAE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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 note 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
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of all District deposits was \$4,008,181. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2016, \$3,294,843 of the District’s bank balance of \$4,047,352 was exposed to custodial risk as discussed below, while \$752,509 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, 2016, 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.S. Government mutual funds	\$ 151,861	\$ 151,861	\$ -
STAR Ohio	8,013	8,013	-
Negotiable CD's	<u>1,590,523</u>	<u>944,136</u>	<u>646,387</u>
Total	<u>\$ 1,750,397</u>	<u>\$ 1,104,010</u>	<u>\$ 646,387</u>

The District’s investments in U.S. Government mutual funds and negotiable certificates of deposit are valued using quoted market prices (Level 1 inputs).

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 A++ 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, 2016

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, 2016:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
U.S. Government mutual funds	\$ 151,861	8.68
STAR Ohio	8,013	0.46
Negotiable CD's	1,590,523	90.86
Total	<u>\$ 1,750,397</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, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 4,008,181
Investments	<u>1,750,397</u>
Total	<u>\$ 5,758,578</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 5,710,251
Private-purpose trust fund	14,583
Agency fund	<u>33,744</u>
Total	<u>\$ 5,758,578</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund loans receivable/payable consisted of the following at June 30, 2016, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	<u>\$ 138,040</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, 2016**

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 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, 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 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, 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, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 was \$23,405 in the general fund, \$5,470 in the debt service fund, \$1,786 in the permanent improvement fund and \$403 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2015 was \$32,422 in the general fund, \$7,652 in the debt service fund, and \$2,686 in the permanent improvement fund and \$595 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, 2016 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, 2016

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 101,944,440	91.78	\$ 101,950,690	91.32
Public utility personal	<u>9,124,450</u>	<u>8.22</u>	<u>9,690,810</u>	<u>8.68</u>
Total	<u>\$ 111,068,890</u>	<u>100.00</u>	<u>\$ 111,641,500</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General purposes	\$47.30		\$47.30	
Debt service	5.70		5.70	
Facilities maintenance	0.50		0.50	
Capital outlay	3.00		3.00	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2016 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	\$ 4,773,271
Accounts	1,879
Intergovernmental	154,850
Accrued interest	<u>2,962</u>
Total	<u>\$ 4,932,962</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	<u>Balance</u> <u>06/30/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/16</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 257,591	\$ -	\$ -	\$ 257,591
Total capital assets, not being depreciated	<u>257,591</u>	<u>-</u>	<u>-</u>	<u>257,591</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,034,399	-	-	3,034,399
Buildings and improvements	24,849,595	-	-	24,849,595
Furniture and equipment	1,547,444	94,506	(40,461)	1,601,489
Infrastructure	11,300	-	-	11,300
Vehicles	<u>1,231,891</u>	<u>22,184</u>	<u>(25,050)</u>	<u>1,229,025</u>
Total capital assets, being depreciated	<u>30,674,629</u>	<u>116,690</u>	<u>(65,511)</u>	<u>30,725,808</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,464,441)	(149,519)	-	(1,613,960)
Buildings and improvements	(8,157,533)	(764,714)	-	(8,922,247)
Furniture and equipment	(738,589)	(85,420)	32,156	(791,853)
Infrastructure	(979)	(226)	-	(1,205)
Vehicles	<u>(862,205)</u>	<u>(58,046)</u>	<u>25,049</u>	<u>(895,202)</u>
Total accumulated depreciation	<u>(11,223,747)</u>	<u>(1,057,925)</u>	<u>57,205</u>	<u>(12,224,467)</u>
Governmental activities capital assets, net	<u>\$ 19,708,473</u>	<u>\$ (941,235)</u>	<u>\$ (8,306)</u>	<u>\$ 18,758,932</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 518,783
Special	53,780
<u>Support services:</u>	
Pupil	44,743
Instructional staff	80,758
Administration	67,741
Fiscal	35,335
Operations and maintenance	46,548
Pupil transportation	53,002
Extracurricular activities	147,833
Food service operations	<u>9,402</u>
Total depreciation expense	<u>\$ 1,057,925</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 9 - LONG-TERM OBLIGATIONS

- A. During fiscal year 2016, the following activity occurred in governmental activities long-term obligations..

	Balance Outstanding <u>06/30/15</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/16</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
<u>General obligation bonds:</u>					
Capital appreciation bonds					
10.548% (average effective)					
06/01/15 and 06/01/16 maturity	\$ 213,994	\$ -	\$ (112,369)	\$ 101,625	\$ 101,625
Accreted interest	573,987	60,746	(322,631)	312,102	312,102
Series 2011, refunding bonds					
Current interest bonds					
1.0% - 3.0%, 12/01/24 maturity	3,960,000	-	(60,000)	3,900,000	65,000
Capital appreciation bonds					
34.62%, 12/01/18 maturity	49,995	-	-	49,995	-
Accreted interest	<u>117,453</u>	<u>68,118</u>	<u>-</u>	<u>185,571</u>	<u>-</u>
Total general obligation bonds payable	<u>4,915,429</u>	<u>128,864</u>	<u>(495,000)</u>	<u>4,549,293</u>	<u>478,727</u>
<u>Other long-term obligations:</u>					
Lease-purchase agreements	1,864,587	2,030,000	(1,779,569)	2,115,018	127,944
Compensated absences	<u>676,715</u>	<u>64,897</u>	<u>(74,153)</u>	<u>667,459</u>	<u>17,862</u>
Total other long-term obligations	<u>2,541,302</u>	<u>2,094,897</u>	<u>(1,853,722)</u>	<u>2,782,477</u>	<u>145,806</u>
Net pension liability	<u>16,262,954</u>	<u>1,897,924</u>	<u>-</u>	<u>18,160,878</u>	<u>-</u>
Total governmental activities	<u>\$ 23,719,685</u>	<u>\$ 4,121,685</u>	<u>\$ (2,348,722)</u>	<u>25,492,648</u>	<u>\$ 624,533</u>
Add: unamortized premium				309,213	
Total on statement of net position				<u>\$ 25,801,861</u>	

Net Pension Liability: See Note 13 for detail on the District's net pension liability.

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

Lease Purchase Agreements: See Note 10 for detail on the District's lease purchase agreements.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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:

<u>Fiscal</u> <u>Year Ended</u>	Series 2002 Capital Appreciation Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	<u>\$ 101,625</u>	<u>\$ 333,375</u>	<u>\$ 435,000</u>

Refunding Bonds, Series 2011

On November 16, 2011, the District issued general obligation refunding bonds (Series 2011, refunding bonds). These bonds refunded the \$5,050,000 callable portion of the Series 2002 issue. These bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. On the fund financial statements, payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund. On the government-wide financial statements, principal payments reduce the liability reported on the statement of net 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, 2016 is \$3,900,000.

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 \$128,864 has been included on the statement of net position at June 30, 2016.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year Year Ended	Series 2011 Current Interest Bonds			Series 2011 Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 65,000	\$ 96,505	\$ 161,505	\$ -	\$ -	\$ -
2018	500,000	90,920	590,920	49,995	-	49,995
2019	-	42,960	42,960	-	502,965	502,965
2020	510,000	80,820	590,820	-	-	-
2021	520,000	69,740	589,740	-	-	-
2022 - 2025	2,305,000	138,570	2,443,570	-	-	-
Total	<u>\$ 3,900,000</u>	<u>\$ 519,515</u>	<u>\$ 4,419,515</u>	<u>\$ 49,995</u>	<u>\$ 502,965</u>	<u>\$ 552,960</u>

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2016, are a voted debt margin of \$6,968,278 (including available funds of \$972,163) and an unvoted debt margin of \$111,642.

NOTE 10 - LEASE PURCHASE AGREEMENTS

- A. 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. During the current fiscal year, this lease-purchase agreement was refinanced. On August 11, 2015, the District signed a new agreement with Fifth Third Bank in the amount of \$2,030,000. This refunding was undertaken to reduce debt service payments over the next 13 years by \$115,375 and resulted in a net present value loss of \$3,412. The original lease was assigned from Ohio School Building Leasing Corporation to Fifth Third Bank. This new agreement bears an interest rate of 2.960% and matures on July 1, 2029. The annual payments are made from the general fund. At June 30, 2016, the District had outstanding borrowings of \$1,915,000.

**LABRAE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - LEASE PURCHASE AGREEMENTS - (Continued)

- B.** During fiscal year 2015, the District entered into a lease-purchase agreement, in the amount of \$253,587, with Mercedes-Benz Financial Services USA, LLC. to finance the cost of three new school buses. The annual payments are made from the general fund. At June 30, 2016, the District had outstanding borrowings of \$200,018.

Capital assets consisting of buildings and vehicles have been recorded in the amount of \$2,271,836 and \$253,587, respectively. A corresponding liability is recorded on the statement of net position. Accumulated depreciation as of June 30, 2016 was \$1,220,185, leaving a current book value of \$1,305,238.

- C.** The following is a summary of the future debt service requirements to maturity for the lease purchase agreements:

Fiscal Year Ended	Principal	Interest	Total
2017	\$ 127,944	\$ 61,717	\$ 189,661
2018	134,292	57,927	192,219
2019	190,678	53,654	244,332
2020	192,104	48,085	240,189
2021	145,000	42,476	187,476
2022 - 2026	795,000	144,522	939,522
2027 - 2029	530,000	27,750	557,750
Total	<u>\$ 2,115,018</u>	<u>\$ 436,131</u>	<u>\$ 2,551,149</u>

NOTE 11 - COMPENSATED ABSENCES

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

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

The Superintendent and Treasurer shall be paid a salary based on 255 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.

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

**LABRAE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 11 - COMPENSATED ABSENCES - (Continued)

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>
Up to 1	Pro-Rated
1 - 7	10
8 - 14	15
15 - 21	20
22 - beyond	25

Sick Leave - Each employee earns sick leave at a rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation is 480 days for classified employees and 510 days for certified employees.

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

**LABRAE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, 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	47,577,236

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
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - RISK MANAGEMENT - (Continued)

B. Workers' Compensation

For fiscal year 2016, 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 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

**LABRAE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension obligation payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

**LABRAE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT 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 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$187,424 for fiscal year 2016. Of this amount, \$14,973 is reported as pension obligation payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$826,456 for fiscal year 2016. Of this amount, \$133,600 is reported as pension obligation payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 2,529,188	\$ 15,631,690	\$ 18,160,878
Proportion of the net pension liability	0.04432430%	0.05656058%	
Pension expense	\$ 173,848	\$ 668,430	\$ 842,278

**LABRAE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 40,455	\$ 714,861	\$ 755,316
Changes in proportionate share	37,753	-	37,753
District contributions subsequent to the measurement date	<u>187,424</u>	<u>826,456</u>	<u>1,013,880</u>
Total deferred outflows of resources	<u>\$ 265,632</u>	<u>\$ 1,541,317</u>	<u>\$ 1,806,949</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 77,737	\$ 1,167,511	\$ 1,245,248
Changes in proportionate share	<u>-</u>	<u>287,355</u>	<u>287,355</u>
Total deferred inflows of resources	<u>\$ 77,737</u>	<u>\$ 1,454,866</u>	<u>\$ 1,532,603</u>

\$1,013,880 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2017	\$ (16,503)	\$ (339,219)	\$ (355,722)
2018	(16,503)	(339,219)	(355,722)
2019	(16,504)	(339,219)	(355,723)
2020	<u>49,981</u>	<u>277,652</u>	<u>327,633</u>
Total	<u>\$ 471</u>	<u>\$ (740,005)</u>	<u>\$ (739,534)</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

**LABRAE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 3,507,074	\$ 2,529,188	\$ 1,705,726

**LABRAE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**LABRAE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 21,713,596	\$ 15,631,690	\$ 10,488,531

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$21,671.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$60,342, and \$27,413, respectively. The full amount has been contributed for fiscal years 2015 and 2014.

**LABRAE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$60,354, respectively. The full amount has been contributed for fiscal year 2014.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 414,133
Net adjustment for revenue accruals	(25,218)
Net adjustment for expenditure accruals	238,177
Net adjustment for other sources/uses	(118,827)
Funds budgeted elsewhere	2,806
Adjustment for encumbrances	12,686
GAAP basis	\$ 523,757

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

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

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

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 17 - 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, 2015	\$ -
Current year set-aside requirement	234,272
Current year offsets	(314,535)
Prior year offset from bond proceeds	<u>-</u>
Total	<u>\$ (80,263)</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u>\$ -</u>

During a prior fiscal year, the District issued \$8,909,000 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$7,722,204 at June 30, 2016.

NOTE 18 - COMMITMENTS

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

<u>Fund</u>	<u>Encumbrances</u>
Other governmental funds	<u>\$ 28,491</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.04432430%	0.04334000%	0.04334000%
District's proportionate share of the net pension liability	\$ 2,529,188	\$ 2,193,413	\$ 2,577,291
District's covered-employee payroll	\$ 1,334,393	\$ 1,259,380	\$ 1,320,614
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.54%	174.17%	195.16%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2014 was unavailable.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.05656058%	0.05784350%	0.05784350%
District's proportionate share of the net pension liability	\$ 15,631,690	\$ 14,069,541	\$ 16,759,545
District's covered-employee payroll	\$ 5,955,314	\$ 5,910,008	\$ 6,056,762
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	262.48%	238.06%	276.71%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2014 was unavailable.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 187,424	\$ 175,873	\$ 174,550	\$ 182,773
Contributions in relation to the contractually required contribution	<u>(187,424)</u>	<u>(175,873)</u>	<u>(174,550)</u>	<u>(182,773)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,338,743	\$ 1,334,393	\$ 1,259,380	\$ 1,320,614
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 177,884	\$ 172,209	\$ 180,337	\$ 130,384	\$ 126,350	\$ 131,363
<u>(177,884)</u>	<u>(172,209)</u>	<u>(180,337)</u>	<u>(130,384)</u>	<u>(126,350)</u>	<u>(131,363)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,322,558	\$ 1,370,000	\$ 1,331,883	\$ 1,325,041	\$ 1,286,660	\$ 1,229,991
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 826,456	\$ 833,744	\$ 768,301	\$ 787,379
Contributions in relation to the contractually required contribution	<u>(826,456)</u>	<u>(833,744)</u>	<u>(768,301)</u>	<u>(787,379)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 5,903,257	\$ 5,955,314	\$ 5,910,008	\$ 6,056,762
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 774,085	\$ 796,377	\$ 793,501	\$ 776,080	\$ 811,157	\$ 783,889
<u>(774,085)</u>	<u>(796,377)</u>	<u>(793,501)</u>	<u>(776,080)</u>	<u>(811,157)</u>	<u>(783,889)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,954,500	\$ 6,125,977	\$ 6,103,854	\$ 5,969,846	\$ 6,239,669	\$ 6,029,915
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program/Cluster Title	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	\$97,498	\$97,498
National School Lunch Program	10.555	299,497	299,497
Summer Food Program	10.559	26,885	26,885
Direct Program:			
Non-Cash Assistance:			
National School Lunch Program	10.555	47,491	47,491
Total U.S. Department of Agriculture		<u>471,371</u>	<u>471,371</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	64,000	137,153
Title I Grants to Local Educational Agencies	84.010	375,965	361,961
Total Title I Part A Grants to Local Educational Agencies Cluster		<u>439,965</u>	<u>499,114</u>
Special Education Grants to States	84.027	20,000	50,151
Special Education Grants to States	84.027	246,807	242,202
Total Special Education Grants to States - Special Education Cluster		<u>266,807</u>	<u>292,353</u>
Improving Teacher Quality State Grants	84.367	4,914	11,580
Improving Teacher Quality State Grants	84.367	83,319	83,319
		<u>88,233</u>	<u>94,899</u>
Total U.S. Department of Education		<u>795,005</u>	<u>886,366</u>
Totals:		<u><u>\$1,266,376</u></u>	<u><u>\$1,357,737</u></u>

The accompanying notes are an integral part of this schedule.

**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of the LaBrae Local School District (the District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - 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 D – 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 North 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 the LaBrae Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 10, 2017.

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 opinion 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

March 10, 2017



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 THE UNIFORM GUIDANCE

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

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) *Compliance Supplement* that could directly and materially affect the LaBrae Local School District's major federal program for the year ended June 30, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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.

Basis for Qualified Opinion on Child Nutrition Cluster Federal Program

As described in finding 2016-001 in the accompanying schedule of findings, the District did not comply with requirements regarding suspension and debarment applicable to its CFDA's 10.553, 10.555, and 10.559, Child Nutrition Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

Qualified Opinion on Child Nutrition Cluster Federal Program

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster Federal Program* paragraph, the LaBrae Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Child Nutrition Cluster Federal Program for the year ended June 30, 2016.

Other Matters

The District's response to our noncompliance finding is described in the accompanying corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

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 the Uniform Guidance, 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings as item 2016-001.

The District's response to our internal control over compliance finding is described in the accompanying corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

LaBrae Local School District
Trumbull County
Independent Auditor's Report on Compliance with Requirements
Applicable to the Major Federal Program and on Internal Control
Over Compliance Required by the Uniform Guidance
Page 2

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report 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

March 10, 2017

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**LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

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 weaknesses in internal control 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 weaknesses in internal control reported for major federal programs?	Yes
<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	Modified – Suspension and Debarment
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list): Child Nutrition Cluster	CFDA 10.553, 10.555, 10.559
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

1. Suspensiion and Debarment

Finding Number	2016-001		
CFDA Title and Number	Child Nutrition Cluster CFDA 10.553, 10.555, 10.559		
Federal Award Identification Number / Year	2016		
Federal Agency	U.S. Department of Agriculture		
Pass-Through Entity	Ohio Department of Education		
Repeat Finding from Prior Audit?	No	Finding Number? (if repeat)	N/A

NONCOMPLIANCE AND MATERIAL WEAKNESS

2 CFR §180.220 states a contract award must not be made to parties listed on the government wide Excluded Parties List System in the System for Award Management (SAM), in accordance with the OMB guidelines. Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions included procurement contracts for goods or services equal to or in excess of \$25,000 or meet certain other specified criteria.

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking SAM.gov maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transactions with that entity.

The District adopted new policies in June 2016, including policy 6325 which states "The District shall not subcontract with or award subgrants to any person or company who is debarred or suspended. For contracts over \$25,000, the District shall confirm that the vendor is not debarred or suspended by either checking the Federal government's System for Award Management, which maintains a list of such debarred or suspended vendors at www.sam.gov; collecting a certification from the vendor; or adding a clause or condition to the covered transaction with that vendor. (2 CFR Part 180 Subpart C)."

The District did not maintain documentation that they checked the Federal website for two vendors for food service supplies that exceeded the \$25,000 requirement.

The District should check the Federal Suspension and Debarment website prior to contracting with any vendor when the expenditure exceeds \$25,000.

LABRAE LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2016

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	Documentation will be maintained over the review of the SAM.gov website.	March 1, 2017	Carol Jones, Treasurer

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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
APRIL 4, 2017