



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Voinovich Government Center
242 Federal Plaza West
Suite 302
Youngstown, Ohio 44503
Telephone 330-797-9900
800-443-9271
Facsimile 330-797-9949
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Brookfield Local School District
Trumbull County
7000 Grove Street
Brookfield, Ohio 44403

We have audited the accompanying general-purpose financial statements of the Brookfield Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Brookfield Local School District, Trumbull County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

December 19, 2001

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**Brookfield Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001**

	Governmental Fund Types			Proprietary	Fiduciary	Account Groups		Totals
	General	Special	Capital	Fund Types	Fund Types	General	General	2001
		Revenue	Project	Enterprise	Trust and Agency	Fixed Assets	Long Term	(Memorandum Only)
Assets and Other Debits:								
Equity in Pooled Cash and Investments	\$ 949,214	97,930	21,182	80,830	168,157	0	0	\$ 1,317,313
Restricted Assets	44,375	0	0	0	0	0	0	44,375
Taxes Receivables	3,741,310	0	87,741	0	0	0	0	3,829,051
Interfund Receivables	12,141	0	0	0	0	0	0	12,141
Due from Other Funds	0	0	0	0	143,828	0	0	143,828
Intergovernmental Receivables	14,076	46,521	0	19,243	0	0	0	79,840
Accounts Receivable	9,964	28	0	78	0	0	0	10,070
Inventory	22,524	0	0	869	0	0	0	23,393
Inventory for Resale	0	0	0	3,619	0	0	0	3,619
Property, Plant, and Equipment	0	0	0	179,414	0	7,970,741	0	8,150,155
Accumulated Depreciation, Where	0	0	0	(136,967)	0	0	0	(136,967)
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	947,494	947,494
Total Assets and Other Debits	\$ 4,793,604	144,479	108,923	147,086	311,985	7,970,741	947,494	\$ 14,424,312

(Continued)

**Brookfield Local School District
Combined Balance Sheet
All Fund Types and Account Groups, Continued
June 30, 2001**

	Governmental Fund Types			Proprietary	Fiduciary	Account Groups		Totals
	General	Special	Capital	Fund Type	Fund Type	General	General	2001
		Revenue	Project	Enterprise	Trust and Agency	Fixed Assets	Long Term	(Memorandum) (Only)
Liabilities:								
Interfund Payables	\$ 0	0	12,141	0	0	0	0	\$ 12,141
Due to Other Funds	135,842	7,872	0	114	0	0	0	143,828
Intergovernmental Payables	40,521	586	0	9,402	266,269	0	62,275	379,053
Accounts Payable	113,102	1,463	9,844	17,030	539	0	0	141,978
Accrued Salaries and Benefits	695,332	55,201	0	23,952	0	0	0	774,485
Deferred Revenue	3,699,462	0	87,742	2,078	0	0	0	3,789,282
Due to Others	0	0	0	0	32,540	0	0	32,540
General Obligation Notes Payable	0	0	0	0	0	0	34,428	34,428
Compensated Absences Payable	68,920	0	0	12,591	0	0	850,791	932,302
Total Liabilities	4,753,179	65,122	109,727	65,167	299,348	0	947,494	6,240,037
Fund Equity and Other Credits:								
Investment in General Fixed Assets	0	0	0	0	0	7,970,741	0	7,970,741
Retained Earnings	0	0	0	81,919	0	0	0	81,919
Fund Balances:								
Reserved for Encumbrances	42,915	7,657	0	0	0	0	0	50,572
Reserved for Budget Stabilization	44,375	0	0	0	0	0	0	44,375
Reserved for Inventory	22,524	0	0	0	0	0	0	22,524
Reserved for Future Appropriation	41,848	0	0	0	0	0	0	41,848
Unreserved Fund Balance	(111,237)	71,700	(804)	0	12,637	0	0	(27,704)
Total Fund Balances	40,425	79,357	(804)	0	12,637	0	0	131,615
Total Fund Balances/Retained Earnings and Other	40,425	79,357	(804)	81,919	12,637	7,970,741	0	8,184,275
Total Liabilities, Fund Equity, and Other Credits	\$ 4,793,604	144,479	108,923	147,086	311,985	7,970,741	947,494	\$ 14,424,312

See Accompanying Notes to the General Purpose Financial Statements

Brookfield Local School District
Combined Statement of Revenue, Expenditures, and Changes in Fund Balance
All Governmental Fund Types and Expendable Trust Funds
Year Ended June 30, 2001

	Governmental Fund Types			Fiduciary	Totals
	General	Special Revenue	Capital Project	Expendable Trust	(Memorandum) (Only)
REVENUES:					
Revenue from Local Sources					
Taxes	\$ 3,437,032	0	87,804	0	\$ 3,524,836
Transportation Fees	11,231	0	0	0	11,231
Earnings on Investments	89,210	0	0	627	89,837
Extracurricular Activities	0	173,588	0	0	173,588
Classroom Materials & Fees	7,850	0	0	0	7,850
Miscellaneous	54,469	8,322	0	2,420	65,211
Restricted Revenue from Intermediate	2,000	0	0	0	2,000
Revenue from State Sources					
Unrestricted Grants-in-Aid	5,655,523	4,000	8,766	0	5,668,289
Restricted Grants-in-Aid	0	72,463	165,001	0	237,464
Revenue for/on Behalf of District	27,355	0	0	0	27,355
Revenue from Federal Sources					
Restricted Grants-in-Aid	9,387	466,978	0	0	476,365
Revenue for/on Behalf of District	51,446	0	0	0	51,446
Total Revenue	9,345,503	725,351	261,571	3,047	10,335,472
EXPENDITURES:					
Instruction					
Regular Instruction	4,470,354	189,566	84,111	0	4,744,031
Special Instruction	1,102,857	317,551	0	0	1,420,408
Vocational Instruction	128,017	0	0	0	128,017
Supporting Services					
Supporting Services-Pupils	521,713	20,164	0	0	541,877
Supporting Services-Instructional Staff	283,130	106,220	0	0	389,350
Supporting Services-Board of Education	11,417	0	0	0	11,417
Supporting Services-Administration	883,447	4,436	0	0	887,883
Fiscal Services	253,216	0	1,677	0	254,893
Supporting Services-Business	72,502	0	0	0	72,502
Operation & Maintenance-Plant	1,120,245	0	9,844	0	1,130,089
Supporting Services-Pupil Transportation	502,593	0	0	0	502,593
Extracurricular Activities					
Academic & Subject Oriented	21,398	0	0	0	21,398
Occupation Oriented Activities	638	0	0	0	638
Sports Oriented	205,854	93,033	0	0	298,887
Co-Curricular Activities	13,194	0	0	0	13,194
Capital Outlay					
Site Improvement	2,695	0	0	0	2,695
Architecture & Engineering	7,844	0	0	0	7,844
Other Facility Acquisition & Construction	0	0	12,046	0	12,046
Total Expenditures	9,601,114	730,970	107,678	0	10,439,762
Excess (Deficiency) of Revenues Over (Under) Expenditures					
	(255,611)	(5,619)	153,893	3,047	(104,290)
Other Financing Sources and Uses:					
Other Financing Sources					
Sale & Loss of Assets	41,693	0	0	0	41,693
Refund of Prior Years Expenditures	29,056	0	0	0	29,056
Refund of Prior Years Receipts	(500)	0	0	0	(500)
Net Other Financing Sources and Uses	70,249	0	0	0	70,249
Excess (Deficiency) of Revenue Receipts and Other Sources Over (Under) Expenditure Disbursement and Other Uses					
	(185,362)	(5,619)	153,893	3,047	(34,041)
Increase (Decrease) Inventory	14,977	0	0	0	14,977
Beginning Fund Balance	210,810	84,976	(154,697)	9,590	150,679
Ending Fund Balance	\$ 40,425	79,357	(804)	12,637	\$ 131,615

See Accompanying Notes to the General Purpose Financial Statements

Brookfield Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Expendable Trust Fund - Continued
Year Ended June 30, 2001

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 3,370,000	\$ 3,410,988	40,988	0	0	\$ 0
Transportation Fees	5,000	10,723	5,723	0	0	0
Earnings on Investment	77,000	89,328	12,328	0	0	0
Extracurricular Activities	0	0	0	170,588	173,965	3,377
Classroom Materials & Fees	4,500	7,673	3,173	0	0	0
Miscellaneous	51,300	59,314	8,014	8,001	8,322	321
Local Restricted Grants-in-Aid	0	2,000	2,000	0	0	0
State Unrestricted Grants-in-Aid	5,582,429	5,655,523	73,094	4,000	4,000	0
State Restricted Grants-in-Aid	0	0	0	71,236	72,463	1,227
State Revenue for/on Behalf of District	15,000	27,505	12,505	0	0	0
Federal Unrestricted Grants-in-Aid	5,151	9,387	4,236	452,542	452,542	0
Federal Revenue for/on Behalf of District	40,000	43,694	3,694	0	0	0
Total Revenue	9,150,380	9,316,135	165,755	706,367	711,292	4,925
Expenditures:						
Regular Instruction	4,428,448	4,427,278	1,170	234,607	195,140	39,467
Special Instruction	1,081,575	1,081,575	0	319,834	303,483	16,351
Vocational Instruction	127,199	127,199	0	0	0	0
Support Services-Pupils	525,776	525,296	480	20,164	20,164	0
Support Services-Instructional Staff	277,461	277,353	108	118,591	103,349	15,242
Support Services-Board of Education	11,425	11,425	0	0	0	0
Support Services-Administration	885,020	884,999	21	9,050	9,013	37
Fiscal Services	275,317	275,300	17	0	0	0
Support Services-Business	73,576	73,576	0	0	0	0
Operation & Maintenance-Plant	1,207,224	1,207,177	47	0	0	0
Support Services-Transportation	504,158	503,556	602	0	0	0
Academic & Subject Oriented	21,324	21,324	0	500	0	500
Occupation Oriented Activities	636	636	0	0	0	0
Sports Oriented	207,015	207,015	0	98,006	93,412	4,594
Co-Curricular Activities	13,209	13,209	0	0	0	0
Site Improvement	2,695	2,695	0	0	0	0
Building Improvement	1,050	0	1,050	0	0	0
Other Facility Acquisition & Construction	7,844	7,844	0	0	0	0
Total Expenditures	9,650,952	9,647,457	3,495	800,752	724,561	76,191
Excess of Revenue Over (Under) Expenditures	(500,572)	(331,322)	169,250	(94,385)	(13,269)	81,116
Other Financing Sources (Uses):						
Sale & Loss of Assets	22,000	41,693	19,693	0	0	0
Advances-In	169,973	169,973	0	0	0	0
Refund of Prior Years Expense	20,000	29,056	9,056	0	0	0
Advances-Out	(12,142)	(12,142)	0	0	0	0
Refund of Prior Years Receipts	(500)	(500)	0	0	0	0
Total Other Sources (Uses)	199,331	228,080	28,749	0	0	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(301,241)	(103,242)	197,999	(94,385)	(13,269)	81,116
Beginning Fund (Deficit) Balance	702,894	702,894	--	93,390	93,390	--
Prior Year Carry Over Encumbrances	163,595	163,595	--	9,006	9,006	--
Ending Fund (Deficit) Balance	\$ 565,248	\$ 763,247	197,999	8,011	89,127	\$ 81,116

(Continued)

Brookfield Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Expendable Trust Fund - Continued
Year Ended June 30, 2001

	Debt Service Fund			Capital Project Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 0	0	0	87,804	87,804	\$ 0
Transportation Fees	0	0	0	0	0	0
Earnings on Investment	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Classroom Materials & Fees	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Local Restricted Grants-in-Aid	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	0	0	0	8,749	8,766	17
State Restricted Grants-in-Aid	0	0	0	165,001	165,001	0
State Revenue for/on Behalf of District	0	0	0	0	0	0
Federal Unrestricted Grants-in-Aid	0	0	0	0	0	0
Federal Revenue for/on Behalf of District	0	0	0	0	0	0
Total Revenue	0	0	0	261,554	261,571	17
Expenditures:						
Regular Instruction	0	0	0	105,276	84,111	21,165
Special Instruction	0	0	0	0	0	0
Vocational Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	0	0	0
Support Services-Instructional Staff	0	0	0	0	0	0
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	0	0	0
Fiscal Services	0	0	0	1,677	1,677	0
Support Services-Business	0	0	0	0	0	0
Operation & Maintenance-Plant	0	0	0	0	0	0
Support Services-Transportation	0	0	0	0	0	0
Academic & Subject Oriented	0	0	0	0	0	0
Occupation Oriented Activities	0	0	0	0	0	0
Sports Oriented	0	0	0	0	0	0
Co-Curricular Activities	0	0	0	0	0	0
Site Improvement	0	0	0	0	0	0
Building Improvement	0	0	0	0	0	0
Other Facility Acquisition & Construction	0	0	0	12,046	12,046	0
Total Expenditures	0	0	0	118,999	97,834	21,165
Excess of Revenue Over (Under) Expenditures	0	0	0	142,555	163,737	21,182
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	0	0	0
Advances-In	0	0	0	12,142	12,142	0
Refund of Prior Years Expense	0	0	0	0	0	0
Advances-Out	0	0	0	0	(169,973)	(169,973)
Refund of Prior Years Receipts	0	0	0	0	0	0
Total Other Sources (Uses)	0	0	0	12,142	(157,831)	(169,973)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	0	0	154,697	5,906	(148,791)
Beginning Fund (Deficit) Balance	0	0	--	11,320	11,320	--
Prior Year Carry Over Encumbrances	0	0	--	3,956	3,956	--
Ending Fund (Deficit) Balance	\$ 0	0	0	169,973	21,182	\$ (148,791)

(Continued)

Brookfield Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Expendable Trust Fund
Year Ended June 30, 2001

	Expendable Trust Fund			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 0	0	0	3,457,804	3,498,792	\$ 40,988
Transportation Fees	0	0	0	5,000	10,723	5,723
Earnings on Investment	584	627	43	77,584	89,955	12,371
Extracurricular Activities	0	0	0	170,588	173,965	3,377
Classroom Materials & Fees	0	0	0	4,500	7,673	3,173
Miscellaneous	2,420	2,420	0	61,721	70,056	8,335
Local Restricted Grants-in-Aid	0	0	0	0	2,000	
State Unrestricted Grants-in-Aid	0	0	0	5,595,178	5,668,289	73,111
State Restricted Grants-in-Aid	0	0	0	236,237	237,464	1,227
State Revenue for/on Behalf of District	0	0	0	15,000	27,505	12,505
Federal Unrestricted Grants-in-Aid	0	0	0	457,693	461,929	4,236
Federal Revenue for/on Behalf of District	0	0	0	40,000	43,694	3,694
Total Revenue	3,004	3,047	43	10,121,305	10,292,045	170,740
Expenditures:						
Regular Instruction	12,594	0	12,594	4,780,925	4,706,529	74,396
Special Instruction	0	0	0	1,401,409	1,385,058	16,351
Vocational Instruction	0	0	0	127,199	127,199	0
Support Services-Pupils	0	0	0	545,940	545,460	480
Support Services-Instructional Staff	0	0	0	396,052	380,702	15,350
Support Services-Board of Education	0	0	0	11,425	11,425	0
Support Services-Administration	0	0	0	894,070	894,012	58
Fiscal Services	0	0	0	276,994	276,977	17
Support Services-Business	0	0	0	73,576	73,576	0
Operation & Maintenance-Plant	0	0	0	1,207,224	1,207,177	47
Support Services-Transportation	0	0	0	504,158	503,556	602
Academic & Subject Oriented	0	0	0	21,824	21,324	500
Occupation Oriented Activities	0	0	0	636	636	0
Sports Oriented	0	0	0	305,021	300,427	4,594
Co-Curricular Activities	0	0	0	13,209	13,209	0
Site Improvement	0	0	0	2,695	2,695	0
Building Improvement	0	0	0	1,050	0	1,050
Other Facility Acquisition & Construction	0	0	0	19,890	19,890	0
Total Expenditures	12,594	0	12,594	10,583,297	10,469,852	113,445
Excess of Revenue Over (Under) Expenditures	(9,590)	3,047	12,637	(461,992)	(177,807)	284,185
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	22,000	41,693	19,693
Advances-In	0	0	0	182,115	182,115	0
Refund of Prior Years Expense	0	0	0	20,000	29,056	9,056
Advances-Out	0	0	0	(12,142)	(182,115)	(169,973)
Refund of Prior Years Receipts	0	0	0	(500)	(500)	0
Total Other Sources (Uses)	0	0	0	211,473	70,249	(141,224)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(9,590)	3,047	12,637	(250,519)	(107,558)	142,961
Beginning Fund (Deficit) Balance	9,590	9,590	--	817,194	817,194	--
Prior Year Carry Over Encumbrances	0	0	--	176,557	176,557	--
Ending Fund (Deficit) Balance	\$ 0	12,637	12,637	743,232	886,193	\$ 142,961

See Accompanying Notes to the General Purpose Financial Statements

Brookfield Local School District
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings
All Proprietary Fund Types
Year Ended June 30, 2001

	Enterprise Funds
Operating Revenues:	
Food Service	\$ 248,183
Classroom Materials & Fees	965
Total Operating Revenue	249,148
Operating Expenses:	
Personal Services - Salary	156,661
Employee Benefits	74,378
Purchased Services	8,850
Supplies and Materials	187,780
Other Expenses	6,274
Depreciation	2,942
Total Operating Expenses	436,885
Operating Income (Loss)	(187,737)
Non-Operating Revenues:	
Earnings on Investment	2,680
State Unrestricted Grants-in-Aid	8,798
Federal Unrestricted Grants-in-Aid	152,747
Federal Restricted Grants-in-Aid	23,905
Total Non-Operating Revenue	188,130
Net Income (Loss)	393
Beginning Retained Earnings	81,526
Retained Earnings at End of Year	\$ 81,919

See Accompanying Notes to the General Purpose Financial Statements

**Brookfield Local School District
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 Year Ended June 30, 2001**

	<u>Enterprise Funds</u>
Cash Flows from Operating Activities	
Operating (Loss)	\$ (187,737)
Adjustments to Reconcile Operating (Loss) to Net Cash provided by Operating Activities:	
Depreciation	2,942
Net (Increase) Decrease in Assets:	
Intergovernmental Receivable	(19,243)
Accounts Receivable	(78)
Inventory	(942)
Net Increase (Decrease) in liabilities:	
Due to Other Funds	114
Intergovernmental Payable	5,953
Accounts Payable	17,030
Accrued Wages and Benefits	(350)
Deferred Revenue	430
Compensated Absences	(1,575)
Net Adjustments	4,281
Net Cash Used in Operating Activities	(183,456)
Cash Flows from Noncapital Financing Activities:	
Earnings on Investments	2,680
Operating Grants from State Sources	8,798
Operating Grants from Federal Sources	176,652
Net Cash Provided by Non-capital Financing Sources	188,130
Net Increase in Cash & Cash Equivalents	4,674
Cash and Cash Equivalents at Beginning of Year	76,156
Cash and Cash Equivalents at End of Year	\$ 80,830

See Accompanying Notes to General Purpose Financial Statements

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**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Note 1. Summary of Significant Accounting Policies

The financial statements of the Brookfield Local School District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

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 residents of the District.

Average daily membership (ADM) as of October 1, 2000, was 1,565. The District employed 114 certified employees and 64 non-certificated employees. The District is supervised by the Trumbull County Educational Service Center, a separate entity.

The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisition and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the District is financially accountable. This report includes all activities considered by management to be part of the District by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)**

Note 1. Summary of Significant Accounting Policies (continued)

resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. Management believes the financial statements included in this report represent all of the funds of the District over which the Board of Education is financially accountable.

B. Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during the period.

General Fund - This fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the bylaws of the District and the laws of the State of Ohio.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital assets or facilities (other than those financed by proprietary and trust funds).

Proprietary Fund Types

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the proprietary fund types:

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)**

Note 1. Summary of Significant Accounting Policies (continued)

Enterprise Funds - These funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The following are the fiduciary fund types:

Expendable Trust Funds - These funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Nonexpendable Trust Funds - These funds account for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The District had no nonexpendable trust funds.

Agency Funds - These funds are purely custodial and thus do not involve measurement of results of operations.

Account Groups

Account Groups are financial reporting devices to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not affect expendable available financial resources. The following are the account groups:

General Fixed Assets Account Group - This account group is used to account for all of the District's fixed assets other than those accounted for in the Proprietary funds.

General Long-Term Debt Account Group - This account group is used to account for all of the District's long-term obligations other than those accounted for in the Proprietary Funds.

C. Measurement Focus/Basis of Accounting

The modified accrual basis of accounting is followed for Governmental and Expendable Trust Funds. The measurement focus is upon determination of financial position and changes in financial position (sources,

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)**

Note 1. Summary of Significant Accounting Policies (continued)

uses and balances of financial resources) rather than upon net income determination. Under the basis of accounting:

- 1) Only current assets and current liabilities are generally included on their balance sheets.
- 2) Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
- 3) Revenues are recognized when it is owed to the District.
 - a) Revenue accrued at the end of the year may include book fines, fees, interest and tuition.
 - b) Property taxes measurable as of June 30, 2001 and delinquent property taxes, whose availability is indeterminate, and are not intended to finance fiscal year 2001 operations, have been recorded as deferred revenues.
- 4) Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Agency fund assets and liabilities are recognized on the modified accrual basis of accounting.

D. Budget and Budgetary Accounting

All governmental and proprietary fund types are subject to annual expenditure budgets. The Board follows the procedures outlined below in establishing the expenditure budget data reported in the general purpose financial statements:

- 1) A Tax Budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20th of each year, for the fiscal year commencing the following July 1st. The Board of Education normally adopts the Tax Budget at its regular board meeting in January.
- 2) The County Budget Commission certifies its actions to the District by March 1st. As part of this certification, the District receives the Official Certificate of Estimated Resources which states the

**BROOKFIELD LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)**

Note 1. Summary of Significant Accounting Policies (continued)

projected receipts of each fund. During the month of July, this certificate is amended to include any unencumbered balances from the preceding fiscal year.

- 3) An annual appropriation measure must be passed by the Board of Education by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Board of Education usually adopts temporary appropriations at its regular board meeting in June. The Annual Appropriation Resolution is usually adopted at the September regular board meeting. The appropriation measure may be amended or supplemented during the year as new information becomes available. Individual buildings may transfer funds within their budgets upon review and approval of the Treasurer, Superintendent, and the Board of Education. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the object level.
- 4) The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget (Non-GAAP Basis) and Actual--All Governmental Fund Types" in accordance with the budget basis of accounting.

The major differences between the budgetary basis of accounting and GAAP are that:

- a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- b) Expenditures are recorded when encumbered (budget basis) as opposed to when the liability is incurred (GAAP basis);
- c) Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis); and
- d) For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP).

Encumbrances - As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds.

E. Cash and Investments

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the District's records. Each fund's

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)**

Note 1. Summary of Significant Accounting Policies (continued)

interest in the pool is presented as "Equity in Pooled Cash and Investments." During the fiscal year all investments were limited to the State Treasury Asset Reserve of Ohio, (STAR Ohio).

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 share price which is the price the investment could be sold for on June 30, 2001.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund.

For the District, all investment earnings accrue to the General Fund, Food Service Fund and Trust Funds as authorized by board resolution. Interest income earned in fiscal year 2001 totaled \$92,517; interest revenue credited to the General Fund during the fiscal year was \$89,210.

F. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 2001. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period levied, provided the funds are "available." "Available" means then due, or past due and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majority are not due at June 30, 2001 and accordingly have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible.

G. Inventories

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of the governmental fund type inventories are recorded as expenditures when purchased (purchase method) rather than when consumed. Reported inventories in these funds are equally offset by a fund balance reserve which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and general supplies, and are expended when used.

H. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The District has not included infrastructure in the GFAAG.

**BROOKFIELD LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)**

Note 1. Summary of Significant Accounting Policies (continued)

The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend asset lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed using the straight-line method over an estimated useful life of the assets. Fixed Assets utilized in the proprietary funds are depreciated to the residual value assigned at the time of purchase.

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlements, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The District currently participates in several State and Federal programs, categorized as follows:

Entitlements:

General Fund

State Foundation Program
School Bus Funding

Special Revenue Funds

Educational Management Information Systems
Telecommunications/E-Rate
Summer School Subsidy

Capital Project Funds

Emergency Repair Grant
Praise Grant
Ohio OneNet Grant

Non-Reimbursable Grants:

Special Revenue Funds

DPIA
Professional Development Block Grant
SchoolNet Professional Development Grant
Title I
Title II
Title IV
Title VI
Title VI-B
Title VI-R
Ohio Reads
Summer School Subsidy
Miscellaneous State and Federal Grants

Reimbursable Grants:

General Fund

Tutor Reimbursement

**BROOKFIELD LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)**

Note 1. Summary of Significant Accounting Policies (continued)

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 53% of the District's operating revenue during the 2001 fiscal year.

J. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans are classified as "interfund receivables/payables." At June 30, 2001, the District had \$143,828 in "Due to/from Other Funds" and \$12,141 in "Interfund Receivables/Payables."

K. Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicated that they do not constitute expendable available financial resources and therefore are not available for appropriation. At June 30, 2001 the District had no long-term interfund loans.

L. Compensated Absences

The District accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. All employees with fifteen or more years of service were included in the calculation of the long-term compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1.) The employees' rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee; and 2.) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For governmental funds, the District records a liability for accumulated unused vacation and sick leave when earned. The current portion of these unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group. In proprietary funds, compensated absences are expensed when earned with the amount reported as a fund liability.

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
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FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)**

Note 1. Summary of Significant Accounting Policies (continued)

M. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. The assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expended and closed to unreserved retained earnings at year end. Reserves represent those portions of fund equity not appropriate for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

N. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

O. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

P. Fund Balance Reserves

Reserved Fund Balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund Balances are reserved for supplies inventory, encumbrances and future appropriations. The reserve for future appropriation represents the amount of the property taxes available for advance and recognized as revenue. The District is prohibited by law from appropriating the advance, since it was not received, for the current fiscal year. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the specific purposes of those funds.

Q. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)**

Note 2. Budgetary Basis of Accounting

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

**Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
Governmental Fund Types and Expendable Trust Funds**

	General Fund	Special Revenue	Capital Project	Expendable Trust
GAAP Basis	\$ (185,362)	(5,619)	153,893	\$ 3,047
Increase (Decrease):				
Due to Revenues:				
Net Adjustments to Revenue Accruals	(29,368)	(14,059)	0	0
Due to Expenditures:				
Net Adjustments to Expenditure Accruals	(46,343)	6,409	9,844	0
Due to Other Sources/Uses	157,831	0	(157,831)	0
Budget Basis	<u>\$ (103,242)</u>	<u>(13,269)</u>	<u>5,906</u>	<u>\$ 3,047</u>

Note 3. Accountability and Compliance

Pursuant to Section 117.11(A) of the Revised Code, the Auditor of State performed tests of compliance with various provisions of local, state and/or federal laws, as appropriate.

Note 4. Cash 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 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 pass book accounts.

Protection of school district 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.

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)**

Note 4. Cash and Investments (continued)

Monies held by the District which are not considered active are classified as inactive. Inactive 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 or its political subdivisions, provided that such political subdivisions are located wholly or partly within the District;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value; and
9. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

Deposits At fiscal year end, the carrying amount of the District's deposits was \$1,994 and the bank balance was \$4,904. \$1,994 was covered by federal depository insurance. Although all state statutory requirements

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)**

Note 4. Cash and Investments (continued)

for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments GASB Statement No. 3, entitled *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* requires the District's investments to be categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which are held by the counter party's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the District's name.

	Category			Carrying Value	Fair Value
	1	2	3		
STAR Ohio	\$ 0	0	1,359,694	1,359,694	\$1,359,694
Total Investments			<u>\$1,359,694</u>	<u>\$1,359,694</u>	<u>\$1,359,694</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 entitled *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No.3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 1,361,688	\$ 0
Investments:		
STAR Ohio	(1,359,694)	1,359,694
GASB Statement No. 3	<u>\$ 1,994</u>	<u>\$ 1,359,694</u>

Note 5. Property Tax

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Trumbull County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 2000, an update is scheduled for 2003. The next revaluation is scheduled for 2006. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is usually due February 14, with the remainder payable June 20.

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)**

Note 5. Property Tax (continued)

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers may pay annually or semi-annually, the first payment is due April 30, with the remainder payable by September 28.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Trumbull County Treasurer collects property tax on behalf of the District. The Trumbull County Auditor remits the collected taxes to the District. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, are reflected as a reservation of fund balance. The District is prohibited by law from appropriating the property taxes recognized as revenue in accordance with Ohio Revised Code Section 5705.35 since an advance of tax revenue was not received by the end of the fiscal year.

The full tax rate at the fiscal year ended June 30, 2001 for operations was \$44.10 per \$1,000 of assessed valuation and \$1.00 per \$1,000 of assessed valuation for permanent improvements. The assessed values of real and tangible personal property on which the fiscal year 2001 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$	17,718,930
Real Property-Residential/Agricultural		77,733,210
Real Property-Public Utility		62,950
Personal Property-General		15,994,695
Personal Property-Public Utilities		<u>11,190,540</u>
Total Assessed Value	<u>\$</u>	<u>122,700,325</u>

Note 6. Receivables

Receivables at June 30, 2001 consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. 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 guarantee of Federal funds.

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)**

Note 6. Receivables (continued)

A summary of the principal items of Intergovernmental Receivables follows:

General Fund:	
CAFS Funding	\$ 14,076
Total General Fund	<u>14,076</u>
Special Revenue Fund:	
Title VI-B Grant	10,008
Title VIR Grant	6,409
Title I Grant	<u>30,104</u>
Total Special Revenue Fund	46,521
Enterprise Fund	
Federal Lunchroom Grant	<u>19,243</u>
Total Enterprise Fund	<u>19,243</u>
Grand Total	<u><u>\$ 79,840</u></u>

Note 7. Fixed Assets

The following is a summary of the proprietary funds property, plant and equipment at June 30, 2001:

Furniture and Equipment	\$ 179,414
Less Accumulated Depreciation	<u>(136,967)</u>
Net Fixed Assets	<u><u>\$ 42,447</u></u>

In proprietary funds, the following estimated useful lives are used to compute depreciation:

Equipment	8-20 years
Furniture	20 years
Vehicles	10 years

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)**

Note 7. Fixed Assets (continued)

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2001:

	General Fixed Assets June 30, 2000	Additions	Deletions	General Fixed Assets June 30, 2001
Land and Improvements	\$ 609,600	0	0	\$ 609,600
Buildings	3,508,546	0	0	3,508,546
Improvements	579,585	0	0	579,585
Furniture and Equipment	2,295,534	212,281	1,240	2,506,575
Vehicles	912,646	56,068	202,279	766,435
Total General Fixed Assets	<u>\$ 7,905,911</u>	<u>268,349</u>	<u>203,519</u>	<u>\$ 7,970,741</u>

There was no significant construction in progress at June 30, 2001.

Note 8. Defined Benefit Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$150,744, \$156,588 and \$155,664 respectively; 44.61 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$93,571 representing the unpaid contribution for fiscal year 2001, including the surcharge, is recorded as a liability within the respective funds and the general long-term obligations account group.

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)**

Note 8. Defined Benefit Pension Plans (continued)

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, 6 percent was used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$706,656, \$689,520 and \$599,496, respectively; 83.33 percent has been contributed for fiscal year 2001, and 100 percent for fiscal years 2000 and 1999. \$117,776 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

Note 9. Postemployment Benefits

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund, a decrease of 3.5 percent for fiscal year 2001. For the District, this amount equaled \$227,139 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3,419 million. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)**

Note 9. Postemployment Benefits (continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, during the 2001 fiscal year equaled \$123,720.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants receiving health care benefits.

Note 10. Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (260 days) are eligible for vacation time. The Superintendent is granted twenty (20) days of vacation per year and the Treasurer is granted fifteen (15) days of vacation per year.

Classified employees earn five to twenty 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.

The classified personnel accumulate vacation based on the following schedules:

Hired prior to July 1, 1995		Hired after July 1, 1995	
Years Service	Vacation Days	Years Service	Vacation Days
1-4	10	1	5
5-9	12	2	6
10-14	17	3	7
15 -beyond	20	4	8
		5-9	12
		10-14	17
		15-beyond	20

Each employee earns sick leave at the 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 for classified employees is 220 days. Maximum sick leave accumulation for certified employees is 365 days.

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)**

Note 10. Compensated Absences (continued)

Classified employees must have been employed under contract for ten or more years or be 60 years of age with five years of service in the District to receive severance pay. Severance is calculated according to the following schedule:

\$30.00/day	Up to 220 days	30 hours or more per week
\$20.00/day	Up to 220 days	Less than 30 hours per week

Certified employees receive severance pay in accordance with the following formula: salary divided by one hundred, eighty-three (183) times one-fourth (1/4) of accumulated unused sick leave to a maximum of fifty (50) days or the amount of thirty-one dollars (\$31.00) for each day of unused accumulated sick leave not to exceed two hundred eighty-five (285) days, whichever is greater.

Note 11. Risk Management

A. General Risk

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$3,000,000 in the aggregate.

The District maintains fleet insurance in the amount of \$2,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$31,396,800. The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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 calculated as one experience and a common premium rate is applied to all school districts in the GRP. 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 the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)**

Note 11. Risk Management (continued)

B. Shared Risk Pool

Trumbull County Insurance Consortium - The District participates in the Trumbull County Insurance Consortium. This is a shared risk pool comprised of sixteen Trumbull County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the consortium. Consortium revenues are generated from charges for services.

Note 12. Notes and Long-Term Debt

A summary of changes in long-term obligations for the year ended June 30, 2001, are as follows:

	Balance			Balance	
	July 1, 2000	Additions	Deletions	June 30, 2001	
Intergovernmental Payable	\$ 69,986	62,275	69,986	\$ 62,275	
GO Notes Payable	46,402	0	11,974	34,428	
Compensated Absences Payable*	857,197	0	6,406	850,791	
	<u>\$ 973,585</u>	<u>62,275</u>	<u>88,366</u>	<u>\$ 947,494</u>	

*Additions and deletions of compensated absences are shown net since it is impracticable for the District to determine these amounts separately.

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the District as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed .1% of the total assessed value of property. The District has no unvoted debt, the District's unvoted debt margin is \$122,700. The voted debt margin at June 30, 2001 is \$11,043,029.

The District is making installment payments on photocopiers purchased with an original cost of \$57,458. This equipment has been capitalized in the general fixed assets account group. This obligation provides for interest at a rate of 8% with an outstanding balance of \$34,428 at June 30, 2001.

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of June 30, 2001.

	Principle	Interest	Payments
FY 2002	\$ 12,968	2,289	\$ 15,257
FY 2003	14,014	1,243	15,257
FY 2004	7,446	181	7,627
	<u>\$ 34,428</u>	<u>\$ 3,713</u>	<u>\$ 38,141</u>

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)**

Note 13. Jointly Governed Organizations

NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK- (NEOMIN) is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts support NEOMIN based upon a per pupil charge. The District contributed \$23,505 to NEOMIN for fiscal year 2001.

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 2001. 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, 347 North Park Avenue, Warren, Ohio, 44481.

Note 14. Contingencies

A. Grants

The District received financial assistance from federal and state 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2001.

B. Litigation

The District is a defendant in a legal proceeding pertaining to matters which are incidental to performing routine governmental and other functions. Based on the status of this legal proceeding, it is the opinion of management that the ultimate resolution of such will not have a material effect on the District's financial statements.

Note 15. School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)**

Note 15. School Funding Decision

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of the date of this report, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

Note 16. Statutory Reserves

The District is required by State statute to annually set-aside an amount based on prior year revenues for the purchase of textbooks, and other instructional materials, and an additional amount for capital improvements. Amounts not spent by year end or offset by similarly restricted resources must be held in cash at year end and carried forward to be used for the same purposes in future years.

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. As of June 30, 2001, the School Board has not taken action to designate these funds for a specific use. Therefore, the reserve for budget stabilization for the portion attributed to BWC refunds will remain on the Balance Sheet for June 30, 2001. The remaining beginning balance of the reserve for budget stabilization will be classified as Unreserved Fund Balance.

The following table shows the set-aside and changes for the fiscal year:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve
Set-aside Cash Balance as of June 30,2000	\$ 0	\$ 0	\$ 110,335
Current Year Set-aside Requirement	205,137	205,137	0
Reduction of Budget Stabilization Reserve			(65,960)
Qualifying Disbursements	(205,137)	(205,137)	0
Cash Balance Carried Forward to FY2002	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 44,375</u>

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)**

Note 17. Segments Information for Enterprise Funds

Key financial data for the District's Enterprise Funds for the year ended June 30, 2001, are as follows:

	Lunchroom Fund	Uniform School Supplies Fund	Total
Operating Revenues:	\$ 248,183	965	\$ 249,148
Operating Expenses:			
Depreciation	2,942	0	2,942
Other	433,943	0	433,943
Total Operating Expenses	<u>436,885</u>	<u>0</u>	<u>436,885</u>
Operating Income (Loss)	(188,702)	965	(187,737)
Non Operating Rev. and Exp.			
Earnings on Investments	2,680	0	2,680
Operating Grants	185,450	0	185,450
Net Income (Loss)	<u>\$ (572)</u>	<u>965</u>	<u>\$ 393</u>
Net Working Capital	\$ 34,638	4,834	\$ 39,472
Total Assets	\$ 142,252	4,834	\$ 147,086
Total Fund Equity	\$ 77,085	4,834	\$ 81,919

Note 18. Fund Deficits

Fund balances at June 30, 2001, included the following individual fund deficits:

Permanent Improvement Fund \$ (21,968)

The fund deficit resulted from the conversion to generally accepted accounting principles and adjustments for accrued liabilities. The District is aware of the deficits and will take the necessary steps to alleviate them. The deficits result from revenue being insufficient to cover expenditures on the modified accrual basis of accounting. The general fund is liable for any deficit and provides operating transfers when cash is required, not when accruals occur.

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550	-	\$24,335	-	\$23,905
National School Lunch Program		10.555	133,503	-	133,503	-
Total U.S. Department of Agriculture - Nutrition Cluster			<u>133,503</u>	<u>24,335</u>	<u>133,503</u>	<u>23,905</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF-99	84.027	16,894	-	21,006	-
	6B-SF-00		104,028	-	97,887	-
Total Special Education Cluster			<u>120,922</u>	<u>-</u>	<u>118,893</u>	<u>-</u>
ESEA Title VI-R - Class Size Reduction	CR-S1-00	84.340	4,635	-	6,511	-
	CR-S1-01	84.340	39,604	-	34,147	-
Total ESEA Title VI-R - Class Size Reduction			<u>44,239</u>	<u>-</u>	<u>40,658</u>	<u>-</u>
Development Grant	MS-S1-01	84.281	8,188	-	5,493	-
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-00	84.010	15,241	-	55,429	-
	C1-S1-01		247,185	-	223,031	-
Total ESEA Title I			<u>262,426</u>	<u>-</u>	<u>278,460</u>	<u>-</u>
Innovative Educational Program Strategies	C2-S1-00	84.298	2,503	-	2,503	-
	C2-S1-01		7,761	-	6,656	-
Total Innovative Educational Strategies			<u>10,264</u>	<u>-</u>	<u>9,159</u>	<u>-</u>
Drug-Free Schools Grant	DR-S1-01	84.186	6,503	-	6,503	-
Total Department of Education			<u>452,542</u>	<u>-</u>	<u>459,166</u>	<u>-</u>
<u>U.S. Department of Health & Human Services</u>						
<i>Passed Through Ohio Department of Human Services; passed through Ohio Department of Mental Retardation and Development Disabilities:</i>						
Medicaid Cluster:						
Medical Assistance Program - Title XIX - Community Alternative Funding System (CAFS)	n/a	93.778	43,394	-	43,394	-
Totals			<u><u>\$629,439</u></u>	<u><u>\$24,335</u></u>	<u><u>\$636,063</u></u>	<u><u>\$23,905</u></u>

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

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
FISCAL YEAR ENDED JUNE 30, 2001**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B--FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Voinovich Government Center
242 Federal Plaza West
Suite 302
Youngstown, Ohio 44503
Telephone 330-797-9900
800-443-9271
Facsimile 330-797-9949
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Brookfield Local School District
Trumbull County
7000 Grove Street
Brookfield, Ohio 44403

We have audited the financial statements of Brookfield Local School District as of and for the year ended June 30, 2001, and have issued our report thereon dated December 19, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Brookfield Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Brookfield Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 19, 2001

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Voinovich Government Center
242 Federal Plaza West
Suite 302
Youngstown, Ohio 44503
Telephone 330-797-9900
800-443-9271
Facsimile 330-797-9949
www.auditor.state.oh.us

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

Brookfield Local School District
Trumbull County
7000 Grove Street
Brookfield, Ohio 44403

Compliance

We have audited the compliance of Brookfield Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. Brookfield Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Brookfield Local School District's management. Our responsibility is to express an opinion on Brookfield Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about Brookfield Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Brookfield Local School District's compliance with those requirements.

In our opinion, Brookfield Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

The management of Brookfield Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Brookfield Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 19, 2001

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title I CFDA 84.010
(d)(1)(viii)	Dollar Threshold: Type AIB Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

BROOKFIELD LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 22, 2002**