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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

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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, 2002, 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, 2002, 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.

As described in Note 7, during the year ended June 30, 2002, the District has reported accumulated depreciation in the general fixed asset account group.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2002 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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long, horizontal tail.

Jim Petro
Auditor of State

December 23, 2002

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**Brookfield Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002**

| | Governmental Fund Types | | | Proprietary | Fiduciary | Account Groups | | Totals |
|---|-------------------------|----------------|----------------|----------------|----------------|------------------|----------------|----------------------|
| | General | Special | Capital | Fund Type | Trust and | General | General | 2002 |
| | | Revenue | Project | Enterprise | Agency | Fixed Assets | Long Term | (Memorandum Only) |
| Assets and Other Debits: | | | | | | | | |
| Equity in Pooled Cash and Investments | \$ 725,540 | 109,658 | 62,124 | 86,470 | 206,125 | 0 | 0 | \$ 1,189,917 |
| Restricted Assets | 44,375 | 0 | 0 | 0 | 0 | 0 | 0 | 44,375 |
| Taxes Receivables | 3,784,145 | 0 | 45,069 | 0 | 0 | 0 | 0 | 3,829,214 |
| Due from Other Funds | 0 | 0 | 0 | 0 | 164,772 | 0 | 0 | 164,772 |
| Intergovernmental Receivables | 6,226 | 0 | 0 | 3,858 | 0 | 0 | 0 | 10,084 |
| Accounts Receivable | 168 | 0 | 0 | 0 | 0 | 0 | 0 | 168 |
| Inventory | 11,610 | 0 | 0 | 642 | 0 | 0 | 0 | 12,252 |
| Inventory for Resale | 0 | 0 | 0 | 2,994 | 0 | 0 | 0 | 2,994 |
| Property, Plant, and Equipment | 0 | 0 | 0 | 180,419 | 0 | 8,081,654 | 0 | 8,262,073 |
| Accumulated Depreciation | 0 | 0 | 0 | (124,413) | 0 | (4,929,497) | 0 | (5,053,910) |
| Amount to be Provided for Retirement of General Long Term Debt | 0 | 0 | 0 | 0 | 0 | 0 | 896,379 | 896,379 |
| Total Assets and Other Debits | \$ 4,572,064 | 109,658 | 107,193 | 149,970 | 370,897 | 3,152,157 | 896,379 | \$ 9,358,318 |

(Continued)

**Brookfield Local School District
Combined Balance Sheet
All Fund Types and Account Groups, Continued
June 30, 2002**

| | Governmental Fund Types | | | Proprietary | Fiduciary | Account Groups | | Totals |
|--|-------------------------|--------------------|--------------------|--------------------------|----------------------------------|-------------------------|----------------------|------------------------------|
| | General | Special Revenue | Capital Project | Fund Types Enterprise | Fund Type Trust and Agency | General Fixed Assets | General Long Term | 2002 (Memorandum Only) |
| Liabilities: | | | | | | | | |
| Due to Other Funds | \$ 155,702 | 8,902 | 0 | 168 | 0 | 0 | 0 | \$ 164,772 |
| Intergovernmental Payables | 4,300 | 619 | 0 | 16,164 | 318,429 | 0 | 73,941 | 413,453 |
| Accounts Payable | 36,090 | 18,417 | 8,664 | 440 | 12,170 | 0 | 0 | 75,781 |
| Accrued Salaries and Benefits | 758,866 | 55,225 | 0 | 27,390 | 0 | 0 | 0 | 841,481 |
| Deferred Revenue | 3,772,054 | 0 | 45,069 | 0 | 0 | 0 | 0 | 3,817,123 |
| Due to Others | 0 | 0 | 0 | 0 | 33,532 | 0 | 0 | 33,532 |
| Capital Leases Payable | 0 | 0 | 0 | 0 | 0 | 0 | 21,461 | 21,461 |
| Compensated Absences Payable | 104,184 | 0 | 0 | 13,107 | 0 | 0 | 800,977 | 918,268 |
| Total Liabilities | 4,831,196 | 83,163 | 53,733 | 57,269 | 364,131 | 0 | 896,379 | 6,285,871 |
| Fund Equity and Other Credits: | | | | | | | | |
| Investment in General Fixed Assets | 0 | 0 | 0 | 0 | 0 | 3,152,157 | 0 | 3,152,157 |
| Retained Earnings | 0 | 0 | 0 | 92,701 | 0 | 0 | 0 | 92,701 |
| Fund Balances: | | | | | | | | |
| Reserved for Encumbrances | 84,524 | 7,841 | 2,961 | 0 | 0 | 0 | 0 | 95,326 |
| Reserved for Budget Stabilization | 44,375 | 0 | 0 | 0 | 0 | 0 | 0 | 44,375 |
| Reserved for Inventory | 11,610 | 0 | 0 | 0 | 0 | 0 | 0 | 11,610 |
| Reserved for Future Appropriation | 12,091 | 0 | 0 | 0 | 0 | 0 | 0 | 12,091 |
| Unreserved Fund Balance | (411,732) | 18,654 | 50,499 | 0 | 6,766 | 0 | 0 | (335,813) |
| Total Fund Balances | (259,132) | 26,495 | 53,460 | 0 | 6,766 | 0 | 0 | (172,411) |
| Total Fund Balances/Retained Earnings and Other | (259,132) | 26,495 | 53,460 | 92,701 | 6,766 | 3,152,157 | 0 | 3,072,447 |
| Total Liabilities, Fund Equity, and Other Credits | \$ 4,572,064 | 109,658 | 107,193 | 149,970 | 370,897 | 3,152,157 | 896,379 | \$ 9,358,318 |

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, 2002

| | Governmental Fund Types | | | Fiduciary | Totals |
|--|-------------------------|----------------|----------------|--------------|---------------------|
| | General | Special | Capital | Expendable | (Memorandum |
| | | Revenue | Project | Trust | Only) |
| REVENUES: | | | | | |
| Revenue from Local Sources | | | | | |
| Taxes | \$ 3,420,638 | 0 | 88,998 | 0 | \$ 3,509,636 |
| Transportation Fees | 6,685 | 0 | 0 | 0 | 6,685 |
| Earnings on Investments | 37,667 | 0 | 0 | 234 | 37,901 |
| Extracurricular Activities | 0 | 149,664 | 0 | 0 | 149,664 |
| Classroom Materials & Fees | 8,453 | 0 | 0 | 0 | 8,453 |
| Miscellaneous | 63,671 | 4,202 | 0 | 3,280 | 71,153 |
| Revenue from State Sources | | | | | |
| Unrestricted Grants-in-Aid | 6,208,893 | 0 | 8,981 | 0 | 6,217,874 |
| Restricted Grants-in-Aid | 0 | 49,820 | 48,260 | 0 | 98,080 |
| Revenue from Federal Sources | | | | | |
| Restricted Grants-in-Aid | 11,052 | 480,532 | 0 | 0 | 491,584 |
| Revenue for/on Behalf of District | 60,667 | 0 | 0 | 0 | 60,667 |
| Total Revenue | <u>9,817,726</u> | <u>684,218</u> | <u>146,239</u> | <u>3,514</u> | <u>10,651,697</u> |
| EXPENDITURES: | | | | | |
| Instruction | | | | | |
| Regular Instruction | 4,919,456 | 172,360 | 21,165 | 9,385 | 5,122,366 |
| Special Instruction | 1,192,883 | 285,388 | 0 | 0 | 1,478,271 |
| Vocational Instruction | 141,798 | 0 | 0 | 0 | 141,798 |
| Supporting Services | | | | | |
| Supporting Services-Pupils | 586,941 | 17,513 | 0 | 0 | 604,454 |
| Supporting Services-Instructional Staff | 312,399 | 160,812 | 0 | 0 | 473,211 |
| Supporting Services-Board of Education | 13,401 | 0 | 0 | 0 | 13,401 |
| Supporting Services-Administration | 956,310 | 6,496 | 0 | 0 | 962,806 |
| Fiscal Services | 256,753 | 0 | 1,636 | 0 | 258,389 |
| Supporting Services-Business | 59,156 | 0 | 0 | 0 | 59,156 |
| Operation & Maintenance-Plant | 1,118,178 | 0 | 43,395 | 0 | 1,161,573 |
| Supporting Services-Pupil Transportation | 340,639 | 0 | 0 | 0 | 340,639 |
| Extracurricular Activities | | | | | |
| Academic & Subject Oriented | 23,170 | 35 | 0 | 0 | 23,205 |
| Occupation Oriented Activities | 794 | 0 | 0 | 0 | 794 |
| Sports Oriented | 168,290 | 94,476 | 0 | 0 | 262,766 |
| Co-Curricular Activities | 16,418 | 0 | 0 | 0 | 16,418 |
| Capital Outlay | | | | | |
| Building Acquisition & Construction | 40 | 0 | 0 | 0 | 40 |
| Other Facility Acquisition & Construction | 2,987 | 0 | 25,779 | 0 | 28,766 |
| Total Expenditures | <u>10,109,613</u> | <u>737,080</u> | <u>91,975</u> | <u>9,385</u> | <u>10,948,053</u> |
| Excess (Deficiency) of Revenues | | | | | |
| Over (Under) Expenditures | (291,887) | (52,862) | 54,264 | (5,871) | (296,356) |
| Other Financing Sources: | | | | | |
| Other Financing Sources | | | | | |
| Sale & Loss of Assets | 2,989 | 0 | 0 | 0 | 2,989 |
| Refund of Prior Years Expenditures | 255 | 0 | 0 | 0 | 255 |
| Net Other Financing Sources | <u>3,244</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>3,244</u> |
| Excess (Deficiency) of Revenue Receipts | | | | | |
| and Other Sources Over (Under) Expenditure | | | | | |
| Disbursement and Other Uses | (288,643) | (52,862) | 54,264 | (5,871) | (293,112) |
| Decrease Inventory | (10,914) | 0 | 0 | 0 | (10,914) |
| Beginning Fund Balance | 40,425 | 79,357 | (804) | 12,637 | 131,615 |
| Ending Fund Balance | <u>\$ (259,132)</u> | <u>26,495</u> | <u>53,460</u> | <u>6,766</u> | <u>\$ (172,411)</u> |

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
Year Ended June 30, 2002

| | General Fund | | | Special Revenue Funds | | |
|---|-------------------|-------------------|----------------------------------|-----------------------|----------------|----------------------------------|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues: | | | | | | |
| Taxes | \$ 3,450,395 | \$ 3,450,395 | 0 | 0 | 0 | \$ 0 |
| Transportation Fees | 7,193 | 7,193 | 0 | 0 | 0 | 0 |
| Earnings on Investment | 34,950 | 37,753 | 2,803 | 0 | 0 | 0 |
| Extracurricular Activities | 0 | 0 | 0 | 148,950 | 149,692 | 742 |
| Classroom Materials & Fees | 8,658 | 8,658 | 0 | 0 | 0 | 0 |
| Miscellaneous | 72,669 | 72,669 | 0 | 4,155 | 4,202 | 47 |
| State Unrestricted Grants-in-Aid | 6,208,893 | 6,208,893 | 0 | 46,370 | 49,820 | 3,450 |
| State Restricted Grants-in-Aid | 0 | 0 | 0 | 0 | 0 | 0 |
| Federal Unrestricted Grants-in-Aid | 11,052 | 11,052 | 0 | 526,971 | 527,053 | 82 |
| Federal Revenue for/on Behalf of District | 68,518 | 68,518 | 0 | 0 | 0 | 0 |
| Total Revenue | 9,862,328 | 9,865,131 | 2,803 | 726,446 | 730,767 | 4,321 |
| Expenditures: | | | | | | |
| Regular Instruction | 4,902,802 | 4,831,954 | 70,848 | 215,752 | 179,550 | 36,202 |
| Special Instruction | 1,245,424 | 1,219,624 | 25,800 | 317,111 | 289,691 | 27,420 |
| Vocational Instruction | 147,237 | 141,237 | 6,000 | 0 | 0 | 0 |
| Support Services-Pupils | 604,176 | 583,843 | 20,333 | 17,513 | 17,513 | 0 |
| Support Services-Instructional Staff | 316,340 | 311,217 | 5,123 | 169,139 | 154,441 | 14,698 |
| Support Services-Board of Education | 13,389 | 13,389 | 0 | 0 | 0 | 0 |
| Support Services-Administration | 959,265 | 953,749 | 5,516 | 6,741 | 6,690 | 51 |
| Fiscal Services | 273,752 | 271,637 | 2,115 | 0 | 0 | 0 |
| Support Services-Business | 84,707 | 75,707 | 9,000 | 0 | 0 | 0 |
| Operation & Maintenance-Plant | 1,204,705 | 1,153,828 | 50,877 | 0 | 0 | 0 |
| Support Services-Transportation | 468,659 | 460,278 | 8,381 | 0 | 0 | 0 |
| Academic & Subject Oriented | 23,064 | 23,064 | 0 | 588 | 35 | 553 |
| Occupation Oriented Activities | 788 | 788 | 0 | 0 | 0 | 0 |
| Sports Oriented | 177,141 | 169,168 | 7,973 | 94,020 | 93,439 | 581 |
| Co-Curricular Activities | 16,370 | 16,370 | 0 | 0 | 0 | 0 |
| Building Improvement | 40 | 40 | 0 | 0 | 0 | 0 |
| Other Facility Acquisition & Construction | 4,987 | 2,987 | 2,000 | 0 | 0 | 0 |
| Total Expenditures | 10,442,846 | 10,228,880 | 213,966 | 820,864 | 741,359 | 79,505 |
| Excess of Revenue Over (Under) Expenditures | (580,518) | (363,749) | 216,769 | (94,418) | (10,592) | 83,826 |
| Other Financing Sources (Uses): | | | | | | |
| Sale & Loss of Assets | 2,989 | 2,989 | 0 | 0 | 0 | 0 |
| Advances-In | 12,142 | 12,142 | 0 | 0 | 0 | 0 |
| Refund of Prior Years Expense | 255 | 255 | 0 | 0 | 0 | 0 |
| Advances-Out | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Other Sources (Uses) | 15,386 | 15,386 | 0 | 0 | 0 | 0 |
| Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (565,132) | (348,363) | 216,769 | (94,418) | (10,592) | 83,826 |
| Beginning Fund Balance | 763,244 | 763,244 | -- | 89,126 | 89,126 | -- |
| Prior Year Carry Over Encumbrances | 230,345 | 230,345 | -- | 8,804 | 8,804 | -- |
| Ending Fund (Deficit) Balance | \$ 428,457 | 645,226 | 216,769 | 3,512 | 87,338 | \$ 83,826 |

Brookfield Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types - Continued
Year Ended June 30, 2002

| | Capital Project Funds | | | Expendable Trust Fund | | |
|---|-----------------------|-----------------|--|-----------------------|---------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues: | | | | | | |
| Taxes | 88,998 | 88,998 | 0 | \$ 0 | 0 | \$ 0 |
| Transportation Fees | 0 | 0 | 0 | 0 | 0 | 0 |
| Earnings on Investment | 0 | 0 | 0 | 224 | 234 | 10 |
| Extracurricular Activities | 0 | 0 | 0 | 0 | 0 | 0 |
| Classroom Materials & Fees | 0 | 0 | 0 | 0 | 0 | 0 |
| Miscellaneous | 0 | 0 | 0 | 3,280 | 3,280 | 0 |
| State Unrestricted Grants-in-Aid | 8,981 | 8,981 | 0 | 0 | 0 | 0 |
| State Restricted Grants-in-Aid | 48,260 | 48,260 | 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 | 146,239 | 146,239 | 0 | 3,504 | 3,514 | 10 |
| Expenditures: | | | | | | |
| Regular Instruction | 21,165 | 21,165 | 0 | 15,600 | 10,000 | 5,600 |
| 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 | 2,000 | 1,636 | 364 | 0 | 0 | 0 |
| Support Services-Business | 0 | 0 | 0 | 0 | 0 | 0 |
| Operation & Maintenance-Plant | 56,247 | 55,856 | 391 | 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 |
| Building Improvement | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Facility Acquisition & Construction | 26,129 | 25,983 | 146 | 0 | 0 | 0 |
| Total Expenditures | 105,541 | 104,640 | 901 | 15,600 | 10,000 | 5,600 |
| Excess of Revenue Over (Under) Expenditures | 40,698 | 41,599 | 901 | (12,096) | (6,486) | 5,610 |
| Other Financing Sources (Uses): | | | | | | |
| Sale & Loss of Assets | 0 | 0 | 0 | 0 | 0 | 0 |
| Advances-In | 0 | 0 | 0 | 0 | 0 | 0 |
| Refund of Prior Years Expense | 0 | 0 | 0 | 0 | 0 | 0 |
| Advances-Out | 0 | (12,142) | (12,142) | 0 | 0 | 0 |
| Total Other Sources (Uses) | 0 | (12,142) | (12,142) | 0 | 0 | 0 |
| Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses | 40,698 | 29,457 | (11,241) | (12,096) | (6,486) | 5,610 |
| Beginning Fund Balance | 21,182 | 21,182 | -- | 12,637 | 12,637 | -- |
| Prior Year Carry Over Encumbrances | 0 | 0 | -- | 0 | 0 | -- |
| Ending Fund Balance | 61,880 | 50,639 | (11,241) | 541 | 6,151 | \$ 5,610 |

Brookfield Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types
Year Ended June 30, 2002

| Totals (Memorandum Only) | | | |
|---|-------------------|-------------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues: | | | |
| Taxes | \$ 3,539,393 | 3,539,393 | 0 |
| Transportation Fees | 7,193 | 7,193 | 0 |
| Earnings on Investment | 35,174 | 37,987 | 2,813 |
| Extracurricular Activities | 148,950 | 149,692 | 742 |
| Classroom Materials & Fees | 8,658 | 8,658 | 0 |
| Miscellaneous | 80,104 | 80,151 | 47 |
| State Unrestricted Grants-in-Aid | 6,264,244 | 6,267,694 | 3,450 |
| State Restricted Grants-in-Aid | 48,260 | 48,260 | 0 |
| Federal Unrestricted Grants-in-Aid | 538,023 | 538,105 | 82 |
| Federal Revenue for/on Behalf of District | 68,518 | 68,518 | 0 |
| Total Revenue | 10,738,517 | 10,745,651 | 7,134 |
| Expenditures: | | | |
| Regular Instruction | 5,155,319 | 5,042,669 | 112,650 |
| Special Instruction | 1,562,535 | 1,509,315 | 53,220 |
| Vocational Instruction | 147,237 | 141,237 | 6,000 |
| Support Services-Pupils | 621,689 | 601,356 | 20,333 |
| Support Services-Instructional Staff | 485,479 | 465,658 | 19,821 |
| Support Services-Board of Education | 13,389 | 13,389 | 0 |
| Support Services-Administration | 966,006 | 960,439 | 5,567 |
| Fiscal Services | 275,752 | 273,273 | 2,479 |
| Support Services-Business | 84,707 | 75,707 | 9,000 |
| Operation & Maintenance-Plant | 1,260,952 | 1,209,684 | 51,268 |
| Support Services-Transportation | 468,659 | 460,278 | 8,381 |
| Academic & Subject Oriented | 23,652 | 23,099 | 553 |
| Occupation Oriented Activities | 788 | 788 | 0 |
| Sports Oriented | 271,161 | 262,607 | 8,554 |
| Co-Curricular Activities | 16,370 | 16,370 | 0 |
| Building Improvement | 40 | 40 | 0 |
| Other Facility Acquisition & Construction | 31,116 | 28,970 | 2,146 |
| Total Expenditures | 11,384,851 | 11,084,879 | 299,972 |
| Excess of Revenue Over (Under) Expenditures | (646,334) | (339,228) | 307,106 |
| Other Financing Sources (Uses): | | | |
| Sale & Loss of Assets | 2,989 | 2,989 | 0 |
| Advances-In | 12,142 | 12,142 | 0 |
| Refund of Prior Years Expense | 255 | 255 | 0 |
| Advances-Out | 0 | (12,142) | (12,142) |
| Total Other Sources (Uses) | 15,386 | 3,244 | (12,142) |
| Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (630,948) | (335,984) | 294,964 |
| Beginning Fund Balance | 886,189 | 886,189 | -- |
| Prior Year Carry Over Encumbrances | 239,149 | 0 | -- |
| Ending Fund Balance | \$ 494,390 | 550,205 | 294,964 |

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, 2002

| | Enterprise Funds |
|--|---------------------|
| Operating Revenues: | |
| Food Service | \$ 255,566 |
| Classroom Materials & Fees | 2,028 |
| Total Operating Revenue | 257,594 |
| Operating Expenses: | |
| Personal Services - Salary | 166,156 |
| Employee Benefits | 88,905 |
| Purchased Services | 8,955 |
| Supplies and Materials | 199,316 |
| Other Expenses | 6,360 |
| Depreciation | 9,414 |
| Total Operating Expenses | 479,106 |
| Operating Income Loss | (221,512) |
| Non-Operating Revenues: | |
| Earnings on Investment | 1,220 |
| State Unrestricted Grants-in-Aid | 8,740 |
| Federal Unrestricted Grants-in-Aid | 174,889 |
| Federal Restricted Grants-in-Aid | 25,477 |
| Total Non-Operating Revenue | 210,326 |
| Net Income Loss | (11,186) |
| Beginning Retained Earnings (Restated) | 103,887 |
| Retained Earnings at End of Year | \$ 92,701 |

See Accompanying Notes to the General Purpose Financial Statements

**Brookfield Local School District
 Combined Statement of Cash Flows
 Proprietary Fund Types
 Year Ended June 30, 2002**

| | <u>Enterprise Funds</u> |
|--|-------------------------|
| Cash Flows from Operating Activities | |
| Operating (Loss) | \$ (221,512) |
| Adjustments to Reconcile Operating (Loss) to Net Cash provided by Operating Activities: | |
| Depreciation | 9,414 |
| Net (Increase) Decrease in Assets: | |
| Intergovernmental Receivable | 19,244 |
| Accounts Receivable | (3,781) |
| Inventory | 852 |
| Net Increase (Decrease) in liabilities: | |
| Due to Other Funds | 54 |
| Intergovernmental Payable | 6,763 |
| Accounts Payable | (16,591) |
| Accrued Wages and Benefits | 3,438 |
| Deferred Revenue | (2,078) |
| Compensated Absences | 516 |
| Net Adjustments | 17,831 |
| Net Cash Used in Operating Activities | (203,681) |
| Cash Flows from Noncapital Financing Activities: | |
| Earnings on Investments | 1,220 |
| Operating Grants from State Sources | 8,740 |
| Operating Grants from Federal Sources | 200,366 |
| Net Cash Provided by Non-capital Financing Sources | 210,326 |
| Cash Flows from Capital Financing Activities | |
| Acquisition of Capital Assets | (1,005) |
| Net Increase in Cash & Cash Equivalents | 5,640 |
| Cash and Cash Equivalents at Beginning of Year | 80,830 |
| Cash and Cash Equivalents at End of Year | \$ 86,470 |

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, 2002**

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, 2001, was 1,556. The District employed 115 certified employees and 67 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, 2002
(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, 2002
(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.

Internal Service Funds - These funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

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.

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.

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)**

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e. net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e. expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements as well as relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year. The available period for the District is sixty days after fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to the accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, interest, tuition, student fees, rentals and grants.

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)**

Note 1. Summary of Significant Accounting Policies (continued)

The District reports deferred revenues on its combined balance sheet that arise when revenue does not meet both the measurable and available criteria recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2002 that are intended to finance fiscal year 2003 operations, and delinquent property taxes, whose availability is indeterminable have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The proprietary fund type and nonexpendable trust funds utilize the full accrual basis of accounting for reporting purposes. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as non-operating revenue.

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 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.

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)**

Note 1. Summary of Significant Accounting Policies (continued)

- 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 and Actual (Non-GAAP Basis) --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 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, 2002.

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 2002 totaled \$39,121; interest revenue credited to the General Fund during the fiscal year was \$37,667.

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)**

Note 1. Summary of Significant Accounting Policies (continued)

F. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 2002. 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, 2002 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. Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$500. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized.

All reported capital assets, other than land, are depreciated. Depreciation is computed using the straight-line method over an estimated useful life of the assets:

| Description | Estimated Lives |
|-------------------------|-----------------|
| Other Improvements | 15 - 30 years |
| Buildings | 15 - 30 years |
| Furniture and Equipment | 5 - 20 years |
| Vehicles | 5 - 15 years |

I. 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, 2002, the District had \$164,772 in "Due to/from Other Funds".

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)**

Note 1. Summary of Significant Accounting Policies (continued)

J. 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, 2002 the District had no long-term interfund loans.

K. 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.

L. 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 expensed and closed to unreserved retained earnings at year end. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)**

Note 1. Summary of Significant Accounting Policies (continued)

M. 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.

N. 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.

O. 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. The reserve for budget stabilization represents BWC refunds received by the District that can only be used for the purposes outlined in Ohio Senate Bill 345.

P. 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, 2002
(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 | \$ (288,643) | (52,862) | 54,264 | \$ (5,871) |
| Increase (Decrease): | | | | |
| Due to Revenues: | | | | |
| Net Adjustments to Revenue Accruals | 47,405 | 46,549 | 0 | 0 |
| Due to Expenditures: | | | | |
| Net Adjustments to Expenditure Accruals | (119,263) | (4,279) | (12,665) | (615) |
| Due to Other Sources/Uses | 12,142 | 0 | (12,142) | 0 |
| Budget Basis | <u>\$ (348,363)</u> | <u>(10,592)</u> | <u>29,457</u> | <u>\$ (6,486)</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.

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)**

Note 4. Cash and Investments (continued)

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.

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any Federal Government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of Federal Government Agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio 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.

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)**

Note 4. Cash and Investments (continued)

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 \$6,055 and the bank balance was \$53,367. \$53,367 was covered by federal depository insurance. Although all state statutory requirements 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.

The District had an investment of 1,228,234 in STAR Ohio. STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

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 | \$ 1,234,292 | \$ 0 |
| Investments: | | |
| STAR Ohio | (1,228,234) | 1,228,234 |
| GASB Statement No. 3 | \$ 6,055 | \$ 1,228,234 |

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)**

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.

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, 2002 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 2002 taxes were collected were as follows:

| | |
|--|-----------------------------|
| Real Property-Commercial/Industrial | \$ 17,857,500 |
| Real Property-Residential/Agricultural | 7,914,610 |
| Real Property-Public Utility | 56,070 |
| Personal Property-General | 18,737,658 |
| Personal Property-Public Utilities | <u>9,674,520</u> |
| Total Assessed Value | <u><u>\$ 54,240,358</u></u> |

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)**

Note 6. Receivables

Receivables at June 30, 2002 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.

A summary of the principal items of Intergovernmental Receivables follows:

| | |
|-------------------------|-------------------------|
| General Fund: | |
| CAFS Funding | <u>\$ 6,226</u> |
| Total General Fund | 6,226 |
| Enterprise Fund | |
| Federal Lunchroom Grant | <u>3,858</u> |
| Total Enterprise Fund | <u>3,858</u> |
| Grand Total | <u><u>\$ 10,084</u></u> |

Note 7. Fixed Assets

Fixed asset activity for the fiscal year ended June 30, 2002, was as follows:

| | Balance at 6/30/2001 | Additions | Reductions | Balance at 6/30/2002 |
|--------------------------------|----------------------------|---------------------------|--------------------|----------------------------|
| General Fixed Assets | | | | |
| Land | \$ 609,600 | \$ 0 | \$ 0 | \$ 609,600 |
| Other Improvements | 3,508,546 | 0 | 0 | 3,508,546 |
| Buildings | 579,585 | 0 | 0 | 579,585 |
| Furniture and Equipment | 2,506,575 | 83,167 | 0 | 2,589,742 |
| Equipment | <u>766,435</u> | <u>57,386</u> | <u>(29,640)</u> | <u>794,181</u> |
| Totals at Historical Cost | <u>7,970,741</u> | <u>140,553</u> | <u>(29,640)</u> | <u>8,081,654</u> |
| Less Accumulated Depreciation: | | | | |
| Other Improvements | (2,213,729) | (58,132) | 0 | (2,271,861) |
| Buildings | (321,327) | (16,999) | 0 | (338,326) |
| Furniture and Equipment | (1,699,018) | (116,662) | 0 | (1,815,680) |
| Vehicles | <u>(486,691)</u> | <u>(46,579)</u> | <u>29,640</u> | <u>(503,630)</u> |
| Total Accumulated Depreciation | <u>(4,720,765)</u> | <u>(238,372)</u> | <u>29,640</u> | <u>(4,929,497)</u> |
| General Fixed Assets | | | | |
| Fixed Assets, Net | <u><u>\$ 3,249,976</u></u> | <u><u>\$ (97,819)</u></u> | <u><u>\$ 0</u></u> | <u><u>\$ 3,152,157</u></u> |

There was no significant construction in progress at June 30, 2002.

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)**

Note 7. Fixed Assets (continued)

| | Balance at 6/30/2001 | Additions | Reductions | Balance at 6/30/2002 |
|--------------------------------|-------------------------|-------------------|-------------|-------------------------|
| Proprietary Fund Assets: | | | | |
| Equipment | \$ 158,290 | \$ 1,005 | \$ 0 | \$ 159,295 |
| Vehicles | 21,124 | 0 | 0 | 21,124 |
| Totals at Historical Cost | 179,414 | 1,005 | 0 | 180,419 |
| Less Accumulated Depreciation: | | | | |
| Equipment | (109,014) | (7,301) | 0 | (116,315) |
| Vehicles | (5,985) | (2,113) | 0 | (8,098) |
| Less Accumulated Depreciation | (114,999) | (9,414) | 0 | (124,413) |
| Proprietary Fund | | | | |
| Fixed Assets, Net | <u>\$ 64,415</u> | <u>\$ (8,409)</u> | <u>\$ 0</u> | <u>\$ 56,006</u> |

Fixed assets were restated during the period end June 30, 2002 in the Enterprise Fund due to the miscalculation of depreciation in prior years. The District also elected to begin calculating and reporting depreciation for the assets recorded in the General Fixed Assets Account Group in preparation for future GASB 34 implementation. This restatement had the following effect on fund equity as it was previously reported:

| | Enterprise Funds | General Fixed Asset Account Group |
|--|---------------------|--|
| Fixed Assets June 30, 2001 | \$ 42,447 | \$ 7,970,741 |
| Depreciation Adjustments: | | |
| Change in Depreciation | 21,968 | (4,720,765) |
| Adjusted Fixed Assets at June 30, 2001 | <u>\$ 64,415</u> | <u>\$ 3,249,976</u> |
| Retained Earnings June 30, 2001 | \$ 81,919 | |
| Net Adjustments to Retaining Earnings | 21,968 | |
| Restated Retained Earnings June 30, 2001 | <u>\$ 103,887</u> | |

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)**

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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

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 2002, 5.46 percent of annual covered salary was the portion used to fund 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, 2002, 2001, and 2000 were \$185,928, \$150,744 and \$156,588, respectively; 46.47 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$107,092 representing the unpaid contribution for fiscal year 2002, including the surcharge, is recorded as a liability within the respective funds and the general long-term obligations account group.

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, 2002, 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 (the latest information available), 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, 2002, 2001, and 2000 were \$792,960, \$706,656 and \$689,520, respectively; 83.33 percent has been contributed for fiscal year 2002, and 100 percent for fiscal years 2001 and 2000. \$144,278 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)**

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 latest information available), 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 \$254,880 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 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.

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, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent for fiscal year 2002. 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 2002, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, during the 2002 fiscal year equaled \$127,544.

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, 2002, were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 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.

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)**

Note 10. Compensated Absences (continued)

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.

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.

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)**

Note 11. Risk Management (continued)

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 \$33,722,000.

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.

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, 2002, are as follows:

| | Balance | | | Balance | |
|-------------------------------|-------------------|----------------|----------------|-------------------|--|
| | July 1, 2001 | Additions | Deletions | June 30, 2002 | |
| Intergovernmental Payable | \$ 62,275 | 73,941 | 62,275 | \$ 73,941 | |
| Leases Payable | 34,428 | 0 | 12,967 | 21,461 | |
| Compensated Absences Payable* | 850,791 | 800,977 | 850,791 | 800,977 | |
| | <u>\$ 947,494</u> | <u>874,918</u> | <u>926,033</u> | <u>\$ 896,379</u> | |

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)**

Note 12. Notes and Long-Term Debt (continued)

*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 \$125,474. The voted debt margin at June 30, 2002 is \$11,292,692.

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 \$21,461 at June 30, 2002.

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, 2002.

| | Principle | Interest | Payments |
|---------|------------------|-----------------|------------------|
| FY 2003 | \$ 14,014 | 1,243 | \$ 15,257 |
| FY 2004 | 7,447 | 181 | 7,628 |
| | <u>\$ 21,461</u> | <u>\$ 1,424</u> | <u>\$ 22,885</u> |

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 \$23,340 to NEOMIN for fiscal year 2002.

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 2002. 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.

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)**

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, 2002.

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.

On August 23, 2002, a complaint was filed in Trumbull County Common Pleas against the District whereas the plaintiff alleges violation of state constitutional rights and intentional and negligent infliction of emotional distress upon a student arising out of a classroom assignment. On November 8, 2002, the Court denied Defendant's Motion for Judgment on the Pleading. The Court has scheduled a First Status Conference of January 28, 2003.

The District plans to vigorously contest the merits of the litigation. Determination of the likelihood of a unfavorable outcome cannot be made at this time. An estimate of range of potential loss cannot be made at this time.

Note 15. School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...".

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)**

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.

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

| | Textbook Acquisition | Capital Acquisition | Budget Stabilization |
|--|-------------------------|------------------------|-------------------------|
| Set aside Cash Balance as of June 30, 2001 | \$ 0 | \$ 0 | \$ 44,375 |
| Current Year Set-Aside Requirement | 189,752 | 189,752 | 0 |
| Qualifying Disbursements | <u>(189,752)</u> | <u>(189,752)</u> | <u>0</u> |
| Cash Balance Carried Forward to FY2003 | <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, 2002
(CONTINUED)**

Note 17. Segments Information for Enterprise Funds

Key financial data for the District's Enterprise Funds for the year ended June 30, 2002, are as follows:

| | Lunchroom Fund | Uniform School Supplies Fund | Total |
|-----------------------------|--------------------|---------------------------------------|--------------------|
| Operating Revenues: | \$ 255,566 | 2,028 | \$ 257,594 |
| Operating Expenses: | | | |
| Depreciation | 9,414 | 0 | 9,414 |
| Other | 469,164 | 528 | 469,692 |
| Total Operating Expenses | <u>478,578</u> | <u>528</u> | <u>479,106</u> |
| Operating Income (Loss) | (223,012) | 1,500 | (221,512) |
| Non Operating Rev. and Exp. | | | |
| Earnings on Investments | 1,220 | 0 | 1,220 |
| Operating Grants | 209,106 | 0 | 209,106 |
| Net Income (Loss) | <u>\$ (12,686)</u> | <u>1,500</u> | <u>\$ (11,186)</u> |
| Net Working Capital | \$ 30,361 | 6,334 | \$ 36,695 |
| Total Assets | \$ 143,636 | 6,334 | \$ 149,970 |
| Total Fund Equity | \$ 86,365 | 6,336 | \$ 92,701 |

Note 18. Fund Deficits

Fund balances at June 30, 2002, included the following individual fund deficits:

| | |
|---------------------|--------------|
| General Fund | \$ (259,132) |
| Teacher Development | \$ (118) |
| Ohio Reads | \$ (173) |
| Title VI-B | \$ (3,259) |
| Chapter 1 | \$ (13,985) |

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.

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**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

| <u>Federal Grantor/ Pass Through Grantor Program Title</u> | <u>Pass Through Entity Number</u> | <u>Federal CFDA Number</u> | <u>Receipts</u> | <u>Non-Cash Receipts</u> | <u>Disbursements</u> | <u>Non-Cash Disbursements</u> |
|---|---|------------------------------------|--------------------------|------------------------------|--|-----------------------------------|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | | |
| Nutrition Cluster: | | | | | | |
| Food Distribution Program | | 10.550 | | \$23,399 | | \$24,281 |
| National School Lunch Program | | 10.555 | 194,133 | | 194,133 | |
| Total U.S. Department of Agriculture - Nutrition Cluster | | | <u>194,133</u> | <u>23,399</u> | <u>194,133</u> | <u>24,281</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-01 6B-SF-02 | 84.027 | 10,008 <u>130,641</u> | | 16,149 <u>116,147</u> | |
| Total Special Education Cluster | | | <u>140,649</u> | | <u>132,296</u> | |
| ESEA Title VI-R - Class Size Reduction | CR-S1-00 CR-S1-01 CR-S1-02 | 84.340 | 6,409 <u>56,167</u> | | 2,754 <u>11,866</u> <u>44,978</u> | |
| | | | <u>62,576</u> | | <u>59,598</u> | |
| Development Grant | MS-S1-01 MS-S1-02 | 84.281 | 10,131 <u>10,131</u> | | 1,400 <u>6,972</u> <u>8,372</u> | |
| Grants to Local Educational Agencies (ESEA Title I) | C1-S1-01 C1-S1-02 | 84.010 | 30,104 <u>260,662</u> | | 54,258 <u>233,967</u> <u>288,225</u> | |
| Innovative Educational Program Strategies | C2-S1-01 C2-S1-02 | 84.298 | 8,002 <u>8,002</u> | | 1,105 <u>7,027</u> <u>8,132</u> | |
| Drug-Free Schools Grant | DR-S1-02 | 84.186 | 6,072 | | 6,072 | |
| School Renovation, Idea, & Technology | AT-S1-02 | 84.352A | 8,857 | | 328 | |
| Total Department of Education | | | <u>527,053</u> | | <u>503,023</u> | |
| <i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i> | | | | | | |
| Community Alternative Funding Program | | 93.778 | 46,400 | | 46,400 | |
| Total Department of Mental Retardation and Development Disabilities | | | <u>46,400</u> | | <u>46,400</u> | |
| Totals | | | <u><u>\$767,586</u></u> | <u><u>\$23,399</u></u> | <u><u>\$743,556</u></u> | <u><u>\$24,281</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, 2002**

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, 2002, the District had no significant food commodities in inventory.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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**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, 2002, and have issued our report thereon dated December 23, 2002. During the year the District has reported accumulated depreciation in the general fixed asset account group. 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*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated December 23, 2002.

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. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 23, 2002.

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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

December 23, 2002



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS 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 each of its major federal programs for the year ended June 30, 2002. 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 program 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 program for the year ended June 30, 2002.

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. However, we noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 23, 2002.

Brookfield Local School District
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
Page 2

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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

December 23, 2002

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

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
JUNE 30, 2002**

| |
|--|
| 1. SUMMARY OF AUDITOR'S RESULTS |
|--|

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

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

None

| |
|--|
| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS |
|--|

None



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OFFICE OF THE AUDITOR

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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
FEBRUARY 11, 2003**