



Mary Taylor, CPA
Auditor of State

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government Wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet –Governmental Funds	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget (Non-GAAP Basis) and Actual-General Fund	19
Statement of Fiduciary Net Assets-Fiduciary Funds.....	20
Statement of Changes in Fiduciary Net Assets-Fiduciary Fund	21
Notes to the Basic Financial Statements	23
Federal Awards Expenditures Schedule.....	49
Notes to the Federal Awards Expenditures Schedule	50
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	51
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	53
Schedule of Findings.....	55
Schedule of Prior Audit Findings.....	59

THIS PAGE INTENTIONALLY LEFT BLANK.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Brookfield Local School District
Trumbull County
7003 Grove Street
Brookfield, Ohio 44403

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Brookfield Local School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Brookfield Local School District, Trumbull County, Ohio, as of June 30, 2007, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Federal Awards Expenditures Schedule is 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 basic financial statements. We subjected the Federal Awards Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

August 29, 2008

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED

The management discussion and analysis of the Brookfield Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- In total, net assets of governmental activities increased \$51,043 which represents a 13.48% increase from 2006.
- General revenues accounted for \$9,099,748 in revenue or 81.21% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,105,531 or 18.79% of total revenues of \$11,205,279.
- The District had \$11,154,236 in expenses related to governmental activities; \$2,105,531 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$9,099,748 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$9,767,950 in revenues and \$9,479,632 in expenditures. During fiscal 2007, the general fund's fund deficit decreased \$288,318 from \$1,475,768 to \$1,187,450.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund is by far the most significant fund, and the only governmental fund reported as a major fund.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-46 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED

The District as a Whole

The Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2007 and 2006.

	Net Assets		
	Governmental Activities <u>2007</u>	Restated Governmental Activities <u>2006</u>	Percentage <u>Change</u>
<u>Assets</u>			
Current and other assets	\$ 3,934,740	\$ 4,737,587	(16.95) %
Capital assets	<u>1,628,049</u>	<u>1,789,739</u>	(9.03) %
Total assets	<u>5,562,789</u>	<u>6,527,326</u>	(14.78) %
<u>Liabilities</u>			
Current liabilities	4,377,356	5,258,240	(16.75) %
Long-term liabilities	<u>755,668</u>	<u>890,364</u>	(15.13) %
Total liabilities	<u>5,133,024</u>	<u>6,148,604</u>	(16.52) %
<u>Net Assets</u>			
Invested in capital assets, net of related debt	1,624,160	1,783,357	(8.93) %
Restricted	331,222	195,786	69.18 %
Unrestricted (deficit)	<u>(1,525,617)</u>	<u>(1,600,421)</u>	4.67 %
Total net assets	<u>\$ 429,765</u>	<u>\$ 378,722</u>	13.48 %

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$429,765. Of this total, \$331,222 is restricted in use.

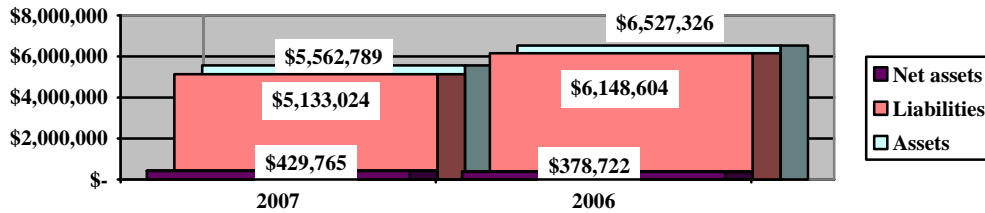
At year-end, capital assets represented 29.67% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2007, were \$1,624,160. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$331,222, represents resources that are subject to external restriction on how they may be used. The remaining balance of net assets is a deficit of \$1,525,617.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED

Governmental Activities



The table below shows the change in net assets for fiscal years 2007 and 2006.

Change in Net Assets

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>	<u>Percentage Change</u>
<u>Revenues</u>			
Program revenues:			
Charges for services and sales	\$ 618,446	\$ 791,836	(21.90) %
Operating grants and contributions	1,487,085	1,080,432	37.64 %
Capital grants and contributions	-	14,080	100.00 %
General revenues:			
Property taxes	3,187,905	3,482,261	(8.45) %
Grants and entitlements	5,836,656	6,215,627	(6.10) %
Investment earnings	27,019	22,131	22.09 %
Other	48,168	120,036	(59.87) %
Total revenues	<u>11,205,279</u>	<u>11,726,403</u>	(4.44) %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED

Change in Net Assets

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>	Percentage Change
<u>Expenses</u>			
Program expenses:			
Instruction:			
Regular	\$ 5,305,377	\$ 5,705,666	(7.02) %
Special	1,519,166	1,509,812	0.62 %
Vocational	115,033	170,263	(32.44) %
Other	1,910	25,961	100.00 %
Support services:			
Pupil	299,954	483,872	(38.01) %
Instructional staff	223,863	397,982	(43.75) %
Board of education	5,232	12,014	(56.45) %
Administration	858,719	833,521	3.02 %
Fiscal	297,723	273,728	8.77 %
Business	62,869	53,415	17.70 %
Operations and maintenance	1,212,046	1,319,006	(8.11) %
Pupil transportation	520,811	411,091	26.69 %
Food service operations	468,403	500,751	(6.46) %
Extracurricular activities	246,226	306,481	(19.66) %
Interest and fiscal charges	<u>16,904</u>	<u>21,144</u>	(20.05) %
Total expenses	<u>11,154,236</u>	<u>12,024,707</u>	(7.24) %
Change in net assets	51,043	(298,304)	(117.11)
Net assets at beginning of year	<u>378,722</u>	<u>677,026</u>	(44.06) %
Net assets at end of year	<u>\$ 429,765</u>	<u>\$ 378,722</u>	13.48 %

Governmental Activities

Net assets of the District's governmental activities increased \$51,043. Total governmental expenses of \$11,154,236 were offset by program revenues of \$2,105,531 and general revenues of \$9,099,748. Program revenues supported 18.88% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 80.54% of total governmental revenue.

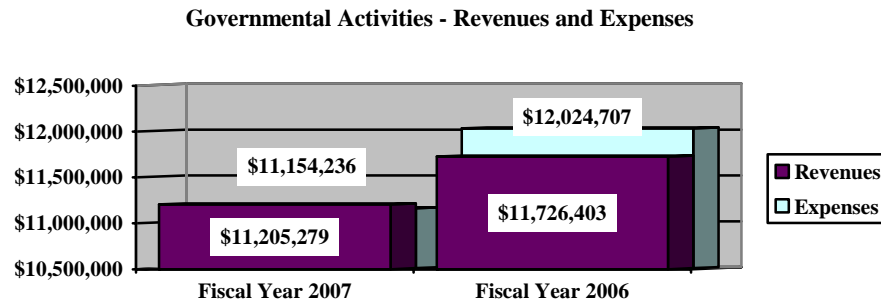
The District's financial condition has declined in recent years. Taxpayers have not supported additional operating levies and state support has remained flat due to cuts in state funding. In addition, escalating health care, utility, maintenance, property, fleet and liability insurance, and vehicle fuel costs have out-paced revenue growth. The District has taken cost containment steps: closing one building for the fiscal 2007 school year and staff reductions.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,941,486 or 62.23% of total governmental expenses for fiscal 2007.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2007 and 2006.



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

Governmental Activities

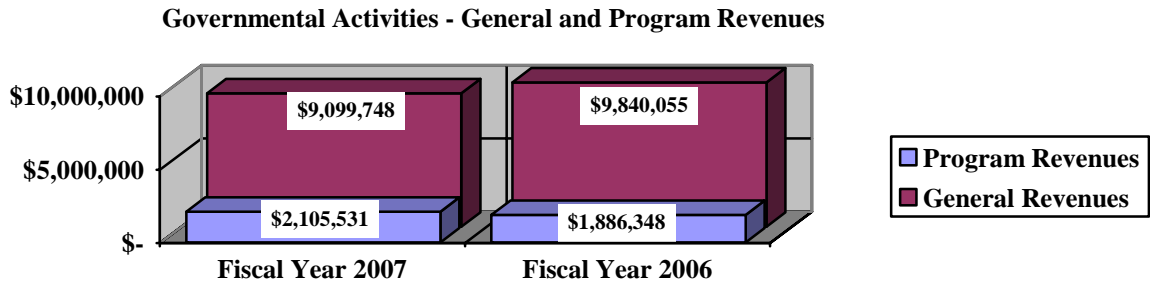
	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>
Program expenses				
Instruction:				
Regular	\$ 5,305,377	\$ 4,916,229	\$ 5,705,666	\$ 5,127,364
Special	1,519,166	601,963	1,509,812	1,081,245
Vocational	115,033	79,854	170,263	170,263
Other	1,910	1,910	25,961	25,961
Support services:				
Pupil	299,954	294,832	483,872	478,872
Instructional staff	223,863	129,608	397,982	172,621
Board of education	5,232	5,232	12,014	4,514
Administration	858,719	811,127	833,521	828,628
Fiscal	297,723	297,723	273,728	273,728
Business	62,869	62,869	53,415	53,415
Operations and maintenance	1,212,046	1,167,279	1,319,006	1,280,714
Pupil transportation	520,811	517,375	411,091	404,990
Food service operations	468,403	(43,017)	500,751	(24,421)
Extracurricular activities	246,226	188,817	306,481	239,321
Interest and fiscal charges	16,904	16,904	21,144	21,144
Total expenses	\$ 11,154,236	\$ 9,048,705	\$ 12,024,707	\$ 10,138,359

The dependence upon tax and other general revenues for governmental activities is apparent, 80.67% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.12%. The District's taxpayers, as a whole, are by far the primary support for District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED

The graph below presents the District's governmental activities revenue for fiscal years 2007 and 2006.



The District's Funds

The District's governmental funds reported a combined fund deficit balance of \$1,042,986, which is higher than last year's fund deficit balance of \$1,306,923. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

	Fund Balance (Deficit) <u>June 30, 2007</u>	Fund Balance (Deficit) <u>June 30, 2006</u>	Increase (Decrease)	Percentage Change
General	\$ (1,187,450)	\$ (1,475,768)	\$ 288,318	(19.54) %
Other Governmental	<u>144,464</u>	<u>168,845</u>	<u>(24,381)</u>	(14.44) %
Total	<u>\$ (1,042,986)</u>	<u>\$ (1,306,923)</u>	<u>\$ 263,937</u>	(20.20) %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED

General Fund

The District's general fund balance deficit decreased \$288,318. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 3,186,184	\$ 3,306,841	\$ (120,657)	(3.65) %
Tuition	183,489	300,169	(116,680)	(38.87) %
Earnings on investments	27,019	22,131	4,888	22.09 %
Intergovernmental	6,270,858	6,208,834	62,024	1.00 %
Other revenues	<u>100,400</u>	<u>181,422</u>	<u>(81,022)</u>	(44.66) %
Total	<u>\$ 9,767,950</u>	<u>\$ 10,019,397</u>	<u>\$ (251,447)</u>	(2.51) %
<u>Expenditures</u>				
Instruction	\$ 6,001,735	\$ 6,807,052	\$ (805,317)	(11.83) %
Support services	3,272,540	3,531,249	(258,709)	(7.33) %
Extracurricular activities	185,960	225,580	(39,620)	(17.56) %
Facilities acquisition and construction	-	254	(254)	(100.00) %
Debt service	<u>19,397</u>	<u>23,446</u>	<u>(4,049)</u>	(17.27) %
Total	<u>\$ 9,479,632</u>	<u>\$ 10,587,581</u>	<u>\$ (1,107,949)</u>	(10.46) %

The decrease in tuition revenue is due a decrease in open enrollment. The increase in earnings on investments is the result of the rising interest rate market. Other revenues, which include classroom materials and fees and transportation fees decreased during 2007. All areas of expenditures decreased from 2006 as a result of staff reductions and spending less in the areas of capital improvements and extracurricular activities.

General Fund Budgeting Highlights

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

During the course of fiscal 2007, the District amended its general fund budget several times. For the general fund, original budgeted revenues were \$6,405,772 and final budgeted revenues were \$9,802,339. Actual revenues for fiscal 2007 were \$9,753,046. This represents a \$49,293 decrease from final budgeted revenues.

General fund original appropriations totaled \$9,903,427 and final appropriations totaled \$9,838,895. The actual budget basis expenditures for fiscal year 2007 totaled \$10,538,170, which was \$699,275 more than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2007, the District had \$1,628,049 invested in land, land improvements, buildings, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2007 balances compared to 2006:

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

	Governmental Activities	
	2007	2006
Land	\$ 609,600	\$ 609,600
Land improvements	152,947	166,404
Buildings and improvements	669,867	726,817
Furniture and equipment	35,277	81,304
Vehicles	160,358	205,614
Total	\$ 1,628,049	\$ 1,789,739

The overall decrease in capital assets of \$161,690 is the result of depreciation expense of \$130,265 and disposals of \$31,425, and no capital outlays during fiscal year 2007.

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

Debt Administration

At June 30, 2007, and June 30, 2006, the District had a capital lease obligation of \$3,889 and \$6,382, respectively.

See notes 9 and 10 to the basic financial statements for detail on the District's debt administration and capital lease obligation.

Current Related Financial Activities

The District was declared in Fiscal Watch in February of 2006. During 2007, the District paid off a \$700,000 tax anticipation note and borrowed an additional \$900,000 against current taxes in order to operate until the end of the school year. The note was paid off in June 2007 and in July 2007 the District borrowed an additional \$350,000 in tax anticipation notes. This note will be paid off in March 2008. Due to numerous retirements and the reduction of some staff, which resulted in just over \$1 million in savings, the District was able to stay out of Fiscal Emergency. The District's financial condition is improving slowly.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

As the preceding information shows, the District depends upon local property taxes, primarily residential/agricultural class property. The challenges facing the District due to the implementation of H.B. 66 will impact the District to the tune of about \$500,000 by the year 2011, when the personal property tax is completely phased out. The District has continued to see a steady yearly decrease in its ADM. Since 2002, there has been a drop in enrollment of about 260 students. For the 2007-2008 school year the District lost approximately 100 outgoing students to open enrollment to other districts. The drop in enrollment will continue to impact State Funding.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. David Drawl, Treasurer, Brookfield Local School District, 7003 Grove St., PO Box 209, Brookfield, Ohio 44403.

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

STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities
Assets:	
Receivables:	
Taxes	\$ 3,763,130
Accounts	221
Intergovernmental	170,358
Materials and supplies inventory	1,031
Capital assets:	
Land	609,600
Depreciable capital assets, net	1,018,449
Capital assets, net.	1,628,049
 Total assets.	 5,562,789
 Liabilities:	
Accounts payable.	155,020
Accrued wages and benefits	834,221
Pension obligation payable.	187,645
Intergovernmental payable	21,862
Loan payable	6,159
Unearned revenue	3,172,449
Long-term liabilities:	
Due within one year.	86,886
Due within more than one year	668,782
Total liabilities	5,133,024
 Net Assets:	
Invested in capital assets, net of related debt.	1,624,160
Restricted for:	
Capital projects	51,045
State funded programs	33,725
Other purposes	246,452
Unrestricted (deficit)	(1,525,617)
Total net assets	\$ 429,765

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 5,305,377	\$ 247,998	\$ 141,150	\$ (4,916,229)
Special	1,519,166	-	917,203	(601,963)
Vocational	115,033	-	35,179	(79,854)
Other	1,910	-	-	(1,910)
Support services:				
Pupil	299,954	-	5,122	(294,832)
Instructional staff	223,863	-	94,255	(129,608)
Board of education	5,232	-	-	(5,232)
Administration	858,719	-	47,592	(811,127)
Fiscal	297,723	-	-	(297,723)
Business	62,869	-	-	(62,869)
Operations and maintenance	1,212,046	44,650	117	(1,167,279)
Pupil transportation	520,811	3,436	-	(517,375)
Food service operations	468,403	266,061	245,359	43,017
Extracurricular activities	246,226	56,301	1,108	(188,817)
Interest and fiscal charges	16,904	-	-	(16,904)
Total governmental activities	<u>\$ 11,154,236</u>	<u>\$ 618,446</u>	<u>\$ 1,487,085</u>	<u>(9,048,705)</u>
General Revenues:				
Property taxes levied for:				
General purposes				3,108,817
Capital projects				79,088
Grants and entitlements not restricted to specific programs				5,836,656
Investment earnings				27,019
Miscellaneous				48,168
Total general revenues				<u>9,099,748</u>
Change in net assets				51,043
Net assets at beginning of year				<u>378,722</u>
Net assets at end of year				<u>\$ 429,765</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Receivables:			
Taxes	\$ 3,667,752	\$ 95,378	\$ 3,763,130
Accounts	221	-	221
Intergovernmental	-	170,358	170,358
Due from other funds	-	245,920	245,920
Materials and supplies inventory	-	1,031	1,031
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 3,667,973</u>	<u>\$ 512,687</u>	<u>\$ 4,180,660</u>
Liabilities:			
Accounts payable	\$ 117,583	\$ 37,437	\$ 155,020
Accrued wages and benefits	717,214	117,007	834,221
Compensated absences payable	34,111	-	34,111
Pension obligation payable.	153,812	33,833	187,645
Intergovernmental payable.	18,489	3,373	21,862
Due to other funds	164,116	81,804	245,920
Loan payable.	6,159	-	6,159
Deferred revenue.	552,136	14,123	566,259
Unearned revenue	3,091,803	80,646	3,172,449
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>4,855,423</u>	<u>368,223</u>	<u>5,223,646</u>
Fund Balances:			
Reserved for encumbrances	129,620	15,232	144,852
Reserved for materials and supplies inventory.	-	1,031	1,031
Reserved for property tax unavailable for appropriation	23,813	609	24,422
Reserved for capital acquisitions.	236,810	-	236,810
Reserved for textbooks and instructional materials.	9,642	-	9,642
Unreserved:			
Undesignated (deficit), reported in:			
General fund	(1,587,335)	-	(1,587,335)
Special revenue funds.	-	91,513	91,513
Capital projects funds.	-	36,079	36,079
	<hr/>	<hr/>	<hr/>
Total fund balances (deficit)	<u>(1,187,450)</u>	<u>144,464</u>	<u>(1,042,986)</u>
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 3,667,973</u>	<u>\$ 512,687</u>	<u>\$ 4,180,660</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007

Total governmental fund balances		\$	(1,042,986)
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			1,628,049
Other long-term assets (taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.			566,259
Long-term liabilities, such as compensated absences, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences	\$	717,668	
Capital lease obligation		<u>3,889</u>	
Total			<u>(721,557)</u>
Net assets of governmental activities		\$	<u><u>429,765</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 3,186,184	\$ 81,267	\$ 3,267,451
Tuition	183,489	-	183,489
Transportation fees	3,436	-	3,436
Earnings on investments.	27,019	-	27,019
Charges for services	-	266,061	266,061
Extracurricular.	-	114,976	114,976
Classroom materials and fees	7,930	1,688	9,618
Other local revenues.	89,034	2,258	91,292
Intergovernmental - State.	6,255,100	84,506	6,339,606
Intergovernmental - Federal	15,758	971,139	986,897
Total revenues.	<u>9,767,950</u>	<u>1,521,895</u>	<u>11,289,845</u>
Expenditures:			
Current:			
Instruction:			
Regular	4,885,302	253,384	5,138,686
Special.	982,140	570,392	1,552,532
Vocational.	132,383	-	132,383
Other.	1,910	-	1,910
Support services:			
Pupil.	312,402	299	312,701
Instructional staff	110,796	100,641	211,437
Board of education	5,232	-	5,232
Administration.	820,056	55,468	875,524
Fiscal	295,745	1,531	297,276
Business	62,869	-	62,869
Operations and maintenance.	1,181,985	26,492	1,208,477
Pupil transportation	483,455	-	483,455
Food service operations	-	466,584	466,584
Extracurricular activities.	185,960	53,535	239,495
Facilities acquisition and construction	-	17,950	17,950
Debt service:			
Principal retirement	2,493	-	2,493
Interest and fiscal charges	16,904	-	16,904
Total expenditures	<u>9,479,632</u>	<u>1,546,276</u>	<u>11,025,908</u>
Net change in fund balances.	288,318	(24,381)	263,937
Fund balances (deficit)			
at beginning of year.	<u>(1,475,768)</u>	<u>168,845</u>	<u>(1,306,923)</u>
Fund balances (deficit) at end of year. . . .	<u>\$ (1,187,450)</u>	<u>\$ 144,464</u>	<u>\$ (1,042,986)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds	\$	263,937
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		(130,265)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		(31,425)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	\$ (79,546)	
Intergovernmental revenue	(5,020)	
Total	(84,566)	(84,566)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		2,493
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		30,869
Change in net assets of governmental activities	\$	51,043

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 2,082,515	\$ 3,186,738	\$ 3,170,713	\$ (16,025)
Tuition.	120,515	184,416	183,489	(927)
Transportation fees	2,629	4,023	4,003	(20)
Earnings on investments.	17,746	27,156	27,019	(137)
Classroom materials and fees	5,208	7,970	7,930	(40)
Other local revenues	58,477	89,484	89,034	(450)
Intergovernmental - State	4,108,332	6,286,714	6,255,100	(31,614)
Intergovernmental - Federal.	10,350	15,838	15,758	(80)
Total revenues.	<u>6,405,772</u>	<u>9,802,339</u>	<u>9,753,046</u>	<u>(49,293)</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,062,259	5,029,273	5,016,786	12,487
Special.	1,053,469	1,046,604	1,046,604	-
Vocational.	133,487	132,617	132,617	-
Other.	5,991	5,952	5,952	-
Support services:				
Pupil.	343,904	341,663	341,663	-
Instructional staff	122,058	121,263	121,263	-
Board of education	5,541	5,505	5,505	-
Administration.	863,175	857,550	857,550	-
Fiscal	321,629	319,533	310,694	8,839
Business	68,965	68,516	68,516	-
Operations and maintenance.	1,257,267	1,249,074	1,249,074	-
Pupil transportation	445,394	442,492	442,492	-
Extracurricular activities.	203,696	202,369	202,437	(68)
Debt service:				
Principal retirement.	-	-	700,000	(700,000)
Interest and fiscal charges.	16,592	16,484	37,017	(20,533)
Total expenditures	<u>9,903,427</u>	<u>9,838,895</u>	<u>10,538,170</u>	<u>(699,275)</u>
Net change in fund balance	(3,497,655)	(36,556)	(785,124)	(748,568)
Fund balance at beginning of year.	70,824	70,824	70,824	-
Prior year encumbrances appropriated	303,427	303,427	303,427	-
Fund balance (deficit) at end of year	<u>\$ (3,123,404)</u>	<u>\$ 337,695</u>	<u>\$ (410,873)</u>	<u>\$ (748,568)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 866	\$ 24,192
Loan receivable	-	6,159
Total assets.	866	\$ 30,351
Liabilities:		
Accounts payable.	-	\$ 1,413
Due to students	-	28,938
Total liabilities	-	\$ 30,351
Net Assets:		
Held in trust for scholarships	866	
Total net assets	\$ 866	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Private-Purpose Trust</u>	
		<u>Scholarship</u>
Net assets at beginning of year	\$	866
Net assets at end of year	\$	<u>866</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY LEFT BLANK.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Brookfield Local School District (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.

The District is the 410th largest by enrollment among the 876 public and community school districts in the State. The District employs 83 certified employees and 52 non-certificated employees and provides services to 1,291 students and community members. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATION

Northeast Ohio Management Information Network (NEOMIN)

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 the administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge.

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 school districts, and a treasurer from each county who must be employed by a participating school district, the fiscal agent or NEOMIN. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 6000 Youngstown Warren Road, Niles, Ohio 44446.

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan - The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan'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 OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have proprietary funds.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

The following is the District's major governmental fund:

General Fund - The general 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 for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; and (b) for food service and uniform school supplies services; and (c) for grants and other resources whose use is restricted to a particular purpose.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private-purpose trust fund is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donation. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2007 are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported 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 costs, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds except agency funds. The specific timetable for fiscal year 2007 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Trumbull County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Certificates of Estimated Resources issued for fiscal year 2007.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2007, however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Investments" on the basic financial statements.

During fiscal year 2007 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, 2007.

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the general, food service and private-purpose trust funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$27,019, of which \$19,404 was assigned from other District funds.

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

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

G. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when received. Inventories are accounted for using the purchase method on the fund statements and using the consumption method on the government-wide statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

General capital assets are those assets specifically related to governmental activities. These assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,500. 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.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	15 - 30 years
Buildings and improvements	15 - 30 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 15 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the statement of net assets. The District had no interfund loans outstanding at June 30, 2007.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

In accordance with the provisions of GASB Statement No. 16, "~~Accounting for Compensated Absences~~", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least 10 years of service regardless of their age were considered expected to become eligible in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes unavailable for appropriation, materials and supplies inventory, capital acquisitions, and textbooks and instructional materials. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under State statute.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

O. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. See Note 18 for details.

P. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2007.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

Fund balances at June 30, 2007 included the following individual fund deficits:

	<u>Deficit</u>
<u>Major Fund</u>	
General	\$ 1,187,450
<u>Nonmajor Funds</u>	
District Managed Student Activity	2,085
Poverty Aid	197
Title I	34,400
Title V	362
Title II-A	4,016
Miscellaneous Federal Grants	8,550

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances in the General, Title I, Title V, and Miscellaneous Federal Grants funds result from negative cash balances at fiscal year-end (see Note 3.B.) and adjustments for accrued liabilities. The deficit fund balances in the District Managed Student Activity, Poverty Aid, and Title II-A funds result from adjustments for accrued liabilities.

B. Compliance

Contrary to Ohio Revised Code Section 5705.10, the District had the following negative cash balances at June 30, 2007 in the following funds:

<u>Major Fund</u>	
General	\$ 170,275
<u>Nonmajor Funds</u>	
Title VI-B	49,267
Title I	23,319
Title V	667
Miscellaneous Federal Grants	8,549

Contrary to Section 5705.41(B), Ohio Revised Code, the following fund had expenditures plus encumbrances in excess of final appropriations:

	<u>Final Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
General fund	\$ 9,838,895	\$ 10,538,170	\$ 699,275

The excess occurred due to an adjustment for cash and accrued liabilities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)

Contrary to Ohio Revised Code, Section 5705.41(D), the District incurred obligations involving the expenditure of money without a certificate of the Treasurer. The Treasurer must certify that the amounts required to meet such commitments have been lawfully appropriated and are in the treasury or in the process of collection to the credit of appropriate funds free from any previous encumbrances.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim moneys are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At June 30, 2007, the carrying amount of all District deposits was \$19,578. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, the District's entire bank balance of \$55,880 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

B. Investments

As of June 30, 2007, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 5,480	\$ 5,480

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 5,480</u>	<u>100.00%</u>

C. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2007:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 19,578
Investments	<u>5,480</u>
Total	<u>\$ 25,058</u>
 <u>Cash and investments per statement of net assets</u>	
Private-purpose trust fund	\$ 866
Agency fund	<u>24,192</u>
Total	<u>\$ 25,058</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund balances at June 30, 2007, as reported on the fund financial statements, consist of the following amounts due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor governmental funds	General fund	\$ 164,116
	Nonmajor governmental funds	81,804

The primary purpose of the due to/from other funds is to cover negative cash in the general fund and the Title VI-B, Title I, Title V, and Miscellaneous Federal Grants nonmajor special revenue funds. The interfund balances will be repaid in the subsequent year once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2007 are reported on the statement of net assets.

- B.** Loans between governmental funds and agency funds are reported as "loans receivable/payable" on the financial statements. The District had the following loan outstanding at fiscal year end to cover a portion of the negative cash in the general fund:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 5 - INTERFUND TRANSACTIONS – (Continued)

<u>Loan From</u>	<u>Loan To</u>	<u>Amount</u>
General	Agency	\$ 6,159

This loan is expected to be repaid in the subsequent year as resources become available in the general fund.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. 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 due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2007, on the value as of December 31, 2006. For 2006, tangible personal property is assessed at 18.75% for property including inventory. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Trumbull County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available as an advanced can vary based on the date the tax bills are sent.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 6 - PROPERTY TAXES - (Continued)

The amount available as an advance at June 30, 2007 was \$23,813 in the general fund and \$609 in the permanent improvement fund (a nonmajor governmental fund). These amounts have been recorded as revenue. The amount that was available as an advance at June 30, 2006 was \$8,342 in the general fund and \$216 in the permanent improvement fund (a nonmajor governmental fund).

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 121,762,010	84.56	\$ 131,039,510	93.55
Public utility personal	12,929,137	8.98	9,041,849	6.45
Tangible personal property	<u>9,310,080</u>	<u>6.46</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 144,001,227</u>	<u>100.00</u>	<u>\$ 140,081,359</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations		\$46.50		\$46.50
Permanent Improvements		1.00		1.00

NOTE 7 - RECEIVABLES

Receivables at June 30, 2007 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities	
Taxes	\$ 3,763,130
Accounts	221
Intergovernmental	<u>170,358</u>
Total	<u>\$ 3,933,709</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 7 – RECEIVABLES – (Continued)

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

NOTE 8 - CAPITAL ASSETS

Capital assets have been restated at July 1, 2006, to reflect furniture and equipment and vehicle assets that should have been removed from the District's capital assets in prior years. Capital assets and accumulated depreciation for furniture and equipment and vehicles have been decreased by \$604,060 and \$24,996, respectively. This restatement did not have an effect on net assets as previously reported at June 30, 2006. Activity for the fiscal year ended June 30, 2007 is as follows:

	Restated Balance <u>06/30/06</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/07</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 609,600	\$ -	\$ -	\$ 609,600
Total capital assets, not being depreciated	<u>609,600</u>	<u>-</u>	<u>-</u>	<u>609,600</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	578,432	-	-	578,432
Buildings and improvements	3,503,139	-	-	3,503,139
Furniture and equipment	788,157	-	(29,759)	758,398
Vehicles	<u>1,003,438</u>	<u>-</u>	<u>(1,666)</u>	<u>1,001,772</u>
Total capital assets, being depreciated	<u>5,873,166</u>	<u>-</u>	<u>(31,425)</u>	<u>5,841,741</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(412,028)	(13,457)	-	(425,485)
Buildings and improvements	(2,776,322)	(56,950)	-	(2,833,272)
Furniture and equipment	(706,853)	(16,268)	-	(723,121)
Vehicles	<u>(797,824)</u>	<u>(43,590)</u>	<u>-</u>	<u>(841,414)</u>
Total accumulated depreciation	<u>(4,693,027)</u>	<u>(130,265)</u>	<u>-</u>	<u>(4,823,292)</u>
Governmental activities capital assets, net	<u>\$ 1,789,739</u>	<u>\$ (130,265)</u>	<u>\$ (31,425)</u>	<u>\$ 1,628,049</u>

Depreciation expense was charged to governmental functions as follows:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 8 - CAPITAL ASSETS – (Continued)

<u>Instruction:</u>	
Regular	\$ 85,840
<u>Support Services:</u>	
Pupil	1,542
Instructional staff	340
Administration	403
Fiscal	205
Operations and maintenance	711
Pupil transportation	33,260
Extracurricular activities	6,731
Food service operations	<u>1,233</u>
Total depreciation expense	<u>\$ 130,265</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the District entered into capitalized leases for copier equipment. These lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13, “Accounting for Leases”, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as business and operations and maintenance function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$12,023. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Accumulated depreciation as of June 30, 2007 was \$8,417, leaving a current book value of \$3,606. Principal payments in fiscal year 2007 totaled \$2,493 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2007:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 2,913
2009	<u>1,213</u>
Total minimum lease payments	4,126
Less amount representing interest	<u>(237)</u>
Total	<u>\$ 3,889</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 10 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2007, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding 06/30/06	Additions	Reductions	Balance Outstanding 06/30/07	Amounts Due in One Year
Governmental Activities:					
Other Long-Term Obligations:					
Capital lease obligation	\$ 6,382	\$ -	\$ (2,493)	\$ 3,889	\$ 2,700
Compensated absences	<u>883,982</u>	<u>123,216</u>	<u>(255,419)</u>	<u>751,779</u>	<u>84,186</u>
Total governmental activities	<u>\$ 890,364</u>	<u>\$ 123,216</u>	<u>\$ (257,912)</u>	<u>\$ 755,668</u>	<u>\$ 86,886</u>

Compensated absences – Compensated absences will be paid from the fund from which the employee is paid which, for the District, is primarily the general fund, the food service fund (a nonmajor governmental fund) and the Title I fund (a nonmajor governmental fund).

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2007, are a voted debt margin of \$12,441,622 and an unvoted debt margin of \$138,240.

NOTE 11 - NOTES PAYABLE

The tax anticipation notes described below were issued in anticipation of tax revenue for the purpose of paying current expenses of the District through the general fund during fiscal years 2006 and 2007. These notes were backed by the full faith and credit of the District. The \$700,000 in notes outstanding at June 30, 2006 was retired from the general fund. The \$900,000 in notes issued during 2007 was receipted into and retired from the debt service fund.

	Interest Rate	Issue Date	Notes Outstanding 06/30/06	Issued	Retired	Notes Outstanding 06/30/07
Tax anticipation note	4.80%	11/22/2005	\$ 700,000	\$ -	\$ (700,000)	\$ -
Tax anticipation note	4.75%	07/03/2006	<u>-</u>	<u>900,000</u>	<u>(900,000)</u>	<u>-</u>
			<u>\$ 700,000</u>	<u>\$ 900,000</u>	<u>\$(1,600,000)</u>	<u>\$ -</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 12 - COMPENSATED ABSENCES

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

Classified employees earn five to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

The classified personnel accumulate vacation based on the following schedules:

Hired prior to July 1, 1995		Hired after July 1, 1995	
Year Service	Vacation Days	Year 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 355 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:

\$40.00/day	Up to 240 days	30 hours or more per week
\$30.00/day	Up to 240 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 13 - 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 13 - RISK MANAGEMENT - (Continued)

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

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$26,920,536.

B. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool. The Plan'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 Plan to cover the costs of administering the program.

The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of this grouping and representation with other participants in the Plan. The workers' compensation experience for the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for Plan rather than its individual rate. Total savings are then calculated and each participants individual performance is compared to the overall savings percentage of the Plan. A participant will 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 Plan. Participation in the Plan is limited to school districts than can meet the Plan's selection criteria. The firm of Gates, McDonald & Company provides administrative, cost control and actuarial services to the Plan.

C. Shared Risk Pool

Trumbull County Insurance Consortium - The District participates in the Trumbull County Insurance Consortium. This is a shared risk pool comprised of 16 Trumbull County school districts. The Consortium is governed by an assembly which consists on one representative from each participating school district (usually the Superintendent or designee). The assembly elects officers for one-year terms to service as the Board of Directors. The assembly exercises control over the operation of the Consortium. Consortium revenues are generated from charges for services.

NOTE 14 - 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 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 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 amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended June 30, 2007, 2006, and 2005 were \$130,016, \$122,704, and \$139,737; 51.14 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$63,531 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System of Ohio

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090 or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions to fund pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$612,048, \$709,471 and \$679,573; 87.84 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$74,427 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2007 were \$6,588 made by the District and \$8,125 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2007, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified 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 Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$47,081 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, the balance in the Health Care Stabilization Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265.558 million and STRS Ohio had 122,934 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. Total surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$66,580 to fund health care benefits, including the surcharge.

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 the projected claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	General Fund
Budget basis	\$ (785,124)
Net adjustment for revenue accruals	14,904
Net adjustment for expenditure accruals	817,940
Adjustment for encumbrances	240,598
GAAP basis	\$ 288,318

NOTE 17 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 18 - STATUTORY RESERVES

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 18 - STATUTORY RESERVES - (Continued)

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	<u>Textbooks Reserve</u>	<u>Capital Maintenance Reserve</u>
Set-aside balance as of June 30, 2006	\$ (12,593)	\$ 76,548
Current year set-aside requirement	214,675	214,675
Qualifying disbursements	<u>(192,440)</u>	<u>(54,413)</u>
Total	<u>\$ 9,642</u>	<u>\$ 236,810</u>
Balance carried forward to FY 2008	<u>\$ 9,642</u>	<u>\$ 236,810</u>

A fund balance reserve for textbooks/instructional materials and capital acquisitions has been reported at June 30, 2007, however restricted assets have not been reported since the general fund has a negative cash balance at June 30, 2007.

NOTE 19 - FINANCIAL CONDITION

On March 2, 2006, the District was declared to be in fiscal watch by the Ohio Department of Education and Auditor of State. The general fund and other funds' year-end deficit balances have been disclosed in Note 3. An entity may be released from fiscal watch if the Department of Education determines that corrective actions have been or are being implemented. The Auditor of State's office will perform a performance audit and make recommendations to the District.

THIS PAGE INTENTIONALLY LEFT BLANK.

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2007**

<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>Expenditures</u>	<u>Non-Cash Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program	N/A	10.550		\$20,508		\$20,508
<i>Nutrition Cluster:</i>						
National School Breakfast Program	05PU-2006 05PU-2007	10.553	\$14,059 37,598 <u>51,657</u>		\$14,059 37,598 <u>51,657</u>	
National School Lunch Program	LLP4-2006 LLP4-2007	10.555	50,518 160,996 <u>211,514</u>		50,518 160,996 <u>211,514</u>	
<i>Total Nutrition Cluster</i>						
Total U.S. Department of Agriculture			263,171	20,508	263,171	20,508
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
<i>Special Education Cluster:</i>						
Special Education Grants to States (IDEA Part B)	6B-SF-06 6B-SF-07	84.027	(745) 252,881 <u>252,136</u>		72,667 302,147 <u>374,814</u>	
<i>Subtotal - Special Education Cluster</i>						
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-06 C1-S1-07	84.010	(55,312) 310,650 <u>255,338</u>		333,970 <u>333,970</u>	
<i>Subtotal - CFDA 84.010</i>						
Drug-Free Schools Grant	DR-S1-07	84.186	6,837		6,837	
Innovative Educational Program	C2-S1-06 C2-S1-07	84.298	(741) 2,433 <u>1,692</u>		2,433 <u>2,433</u>	
<i>Subtotal - CFDA 84.298</i>						
Title II-D, Technology	TJ-S1-06 TJ-S1-07	84.318	(10,327) 10,630 <u>303</u>		13,407 <u>13,407</u>	
<i>Subtotal - CFDA 84.318</i>						
Title II-A, Improving Student Quality	TR-S1-07	84.367	114,174		100,860	
Total U.S. Department of Education			630,480		832,321	
Totals			<u>\$893,651</u>	<u>\$20,508</u>	<u>\$1,095,492</u>	<u>\$20,508</u>

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

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

NOTE D – CARRYOVER FUNDS

Negative receipts are shown in the Title VI-B, CFDA 84.027; Title 1, CFDA 84.010; Innovative Educational Program, CFDA 84.298; and Title II-D, CFDA 84.318. These negative receipts represent monies that were unspent after the initial period of availability. These monies were added to the subsequent fiscal year awards in accordance with allowable carryover provisions.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Brookfield Local School District
Trumbull County
7003 Grove Street
Brookfield, Ohio 44403

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Brookfield Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated July 31, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 and 2007-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated July 31, 2008.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 31, 2008



Mary Taylor, CPA

Auditor of State

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

Brookfield Local School District
Trumbull County
7003 Grove Street
Brookfield, Ohio 44403

To the Board of Education:

Compliance

We have audited the compliance of Brookfield Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Brookfield Local School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

July 31, 2008

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title 1 Grants to Local Educational Agencies – CFDA 84.010 and Special Education Grants to States (IDEA Part B) – CFDA 84.027
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

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

FINDING NUMBER 2007-001

Deficit Fund Balances-Noncompliance Finding

Ohio Rev. Code Section 5705.10, requires that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. As of June 30, 2007, the following funds had negative fund balances:

<u>Fund (Fund Number)</u>	<u>Fund Balance</u>
General (001)	\$ (225,583)
Title VI-B (516)	(49,267)
Title 1 (572)	(23,319)
Title V (573)	(667)
Title II-D (599)	(8,549)

We recommend that the Treasurer monitors fund balances throughout the year. The District should consider utilizing inter-fund cash advances as a method of resolving cash flow problems without incurring a deficit cash balance in a fund.

Officials' Response

The Brookfield Local School District is working to implement all recommendations given to us in the audit.

FINDING NUMBER 2007-002

Certification of Availability of Funds-Noncompliance Finding

Ohio Revised Code Section 5705.41(D) (1) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts or orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are : "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Then and Now Certificate: If the fiscal officer can certify that both at the time the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from receipt of the “then and now” certificate to approve payment by resolution or ordinance.

Amounts of less than three thousand dollars (\$3,000) may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Blanket Certificate: Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Super Blanket Certificate: The taxing authority may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specific fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket may be outstanding at a particular time for any line item appropriation.

The Treasurer did not always obtain certification of available funds prior to incurring obligations and there was no evidence of a “then and now” certificate being used by the Treasurer. Forty-four percent (44%) of non-payroll expenditures tested were made without proper certification. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification in the form of purchase orders or “blanket” purchase orders is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over the disbursement process and reduce the possibility of the District’s funds exceeding budgetary spending limitations, we recommend that the Treasurer certify that the funds are or will be available prior to a commitment of an obligation by the District. When prior certification is not possible, “then and now” certification should be used.

We recommend the District certify purchases to which section 5705.41 (D) applies. The Treasurer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials’ Response

The Brookfield Local School District is working to implement all recommendations given to us in the audit.

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
JUNE 30, 2007**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
2006-001	Reportable condition – Cash reconciliations did not agree to fund ledgers and reconciling items were not fully investigated.	Yes	Finding no longer valid.
2006-002	Noncompliance – The District did not set aside the tax proceeds needed to pay debt charges as required by Ohio Rev. Code Section 133.10 (E) (1)	Yes	Finding no longer valid
2006-003	Noncompliance – Expenditures plus encumbrances exceeded appropriations contrary to Ohio Rev. Code Section 5705.41 (B)	No	Partially corrected and no longer significant. Reported in the management letter.
2006-004	Noncompliance – Violation of Ohio Rev. Code Section 121.22 (H) for not stating proper reasons to enter executive sessions during Board meetings.	Yes	Finding no longer valid.
2006-005	Noncompliance and Questioned Cost – Expenditures were made from the Title VI-B Program without supporting documentation as required by 2CFR Appendix A and B	Yes	Finding no longer valid.
2006-006	Noncompliance – The District did not submit the final expenditure for the Title VI-B Program timely or accurately.	Yes	Finding no longer valid.



Mary Taylor, CPA
Auditor of State

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
NOVEMBER 6, 2008**