



Dave Yost • Auditor of State



**BROOKFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

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# Dave Yost • 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, each 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, 2010, 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, each major fund, and the aggregate remaining fund information of Brookfield Local School District, Trumbull County, Ohio, as of June 30, 2010, 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 February 17, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the 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. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole



**Dave Yost**  
Auditor of State

February 17, 2011

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(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, 2010. 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 2010 are as follows:

- In total, net assets of governmental activities increased \$426,562 which represents a 1.99% increase from 2009.
- General revenues accounted for \$10,250,319 in revenue or 81.25% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,364,985 or 18.75% of total revenues of \$12,615,304.
- The District had \$12,188,742 in expenses related to governmental activities; \$2,364,985 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 \$10,250,319 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and classroom facilities fund. The general fund had \$9,334,557 in revenues and \$9,327,669 in expenditures. During fiscal 2010, the general fund's fund deficit decreased \$6,888 from \$1,047,616 to \$1,040,728.
- The classroom facilities fund had \$5,264,821 in revenues and \$10,868,610 in expenditures. During fiscal 2010, the classroom facilities fund balance decreased \$5,603,789 from a balance of \$21,803,640 to a balance of \$16,199,851.

**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 and classroom facilities fund are by far the most significant funds and the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)

**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 2010?" 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.

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 funds 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 major governmental funds are the general fund and classroom facilities 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.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)

***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 22-50 of this report.

**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 at June 30, 2010 and June 30, 2009.

	<b>Net Assets</b>		
	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>	Percentage <u>Change</u>
<b><u>Assets</u></b>			
Current and other assets	\$ 28,527,397	\$ 38,511,113	(25.92) %
Capital assets, net	<u>15,895,292</u>	<u>4,503,773</u>	252.93 %
Total assets	<u>44,422,689</u>	<u>43,014,886</u>	3.27 %
<b><u>Liabilities</u></b>			
Current liabilities	6,513,019	5,257,917	23.87 %
Long-term liabilities	<u>16,066,285</u>	<u>16,340,146</u>	(1.68) %
Total liabilities	<u>22,579,304</u>	<u>21,598,063</u>	4.54 %
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	14,825,049	3,798,634	290.27 %
Restricted	8,321,524	19,017,329	(56.24) %
Unrestricted (deficit)	<u>(1,303,188)</u>	<u>(1,399,140)</u>	6.86 %
Total net assets	<u>\$ 21,843,385</u>	<u>\$ 21,416,823</u>	1.99 %

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$21,843,385. Of this total, \$8,321,524 is restricted in use.

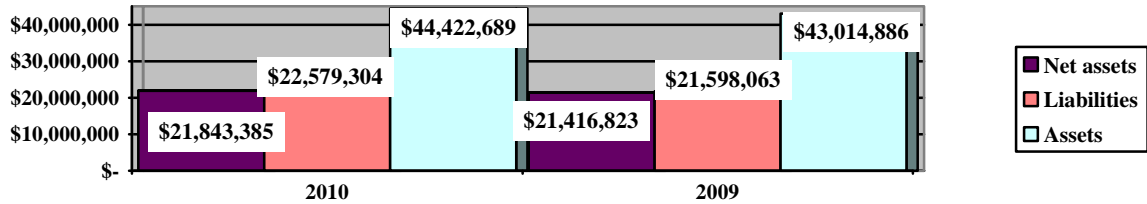
At year-end, capital assets represented 35.78% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2010, were \$14,825,049. These 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)

A portion of the District's net assets, \$8,321,524, represents resources that are subject to external restriction on how they may be used. The remaining balance of net assets is a deficit of \$1,303,188.

**Governmental Activities**



The table below shows the change in net assets for fiscal years 2010 and 2009.

**Change in Net Assets**

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>	<u>Percentage Change</u>
<b><u>Revenues</u></b>			
Program revenues:			
Charges for services and sales	\$ 610,649	\$ 685,066	(10.86) %
Operating grants and contributions	1,738,752	1,444,080	20.41 %
Capital grants and contributions	15,584	14,679	6.17 %
General revenues:			
Property taxes	3,605,249	3,721,788	(3.13) %
Grants and entitlements	6,437,827	6,301,225	2.17 %
Investment earnings	179,878	590,875	(69.56) %
Miscellaneous	27,365	-	100.00 %
<b>Total revenues</b>	<u>12,615,304</u>	<u>12,757,713</u>	(1.12) %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)

**Change in Net Assets**

	<u>Governmental Activities 2010</u>	<u>Governmental Activities 2009</u>	<u>Percentage Change</u>
<b><u>Expenses</u></b>			
Program expenses:			
Instruction:			
Regular	\$ 4,903,059	\$ 5,618,026	(12.73) %
Special	1,822,755	1,344,405	35.58 %
Vocational	143,306	133,787	7.12 %
Support services:			
Pupil	469,640	700,458	(32.95) %
Instructional staff	329,388	275,200	19.69 %
Board of education	8,108	3,711	118.49 %
Administration	813,356	1,009,927	(19.46) %
Fiscal	308,462	249,977	23.40 %
Business	58,739	66,102	(11.14) %
Operations and maintenance	1,099,864	1,160,448	(5.22) %
Pupil transportation	616,663	526,405	17.15 %
Central	3,175	1,489	113.23 %
Food service operations	582,410	572,471	1.74 %
Extracurricular activities	320,447	268,577	19.31 %
Interest and fiscal charges	<u>709,370</u>	<u>714,886</u>	(0.77) %
 Total expenses	 <u>12,188,742</u>	 <u>12,645,869</u>	 (97.47) %
 Change in net assets	 426,562	 111,844	 281.39 %
 Net assets at beginning of year	 <u>21,416,823</u>	 <u>21,304,979</u>	 0.52 %
 Net assets at end of year	 <u>\$ 21,843,385</u>	 <u>\$ 21,416,823</u>	 1.99 %

**Governmental Activities**

Net assets of the District's governmental activities increased \$426,562. Total governmental expenses of \$12,188,742 were offset by program revenues of \$2,364,985 and general revenues of \$10,250,319. Program revenues supported 19.40% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 79.61% of total governmental revenue.

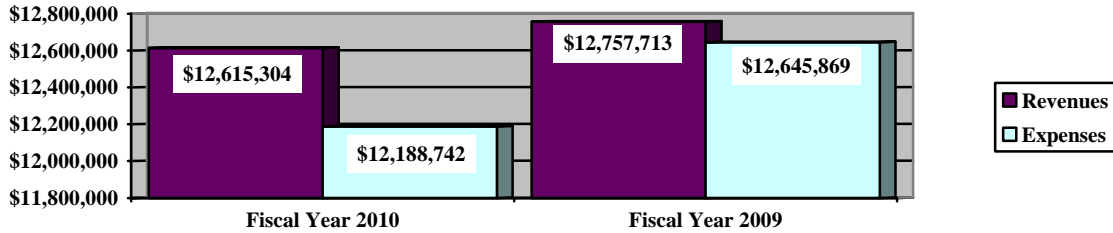
The District's financial condition has declined in recent years. Taxpayers have not supported additional operating levies and state support has remained flat due to cuts in state funding. In addition, escalating health care, utility, maintenance, property, fleet and liability insurance, and vehicle fuel costs have out-paced revenue growth. The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,869,120 or 56.36% of total governmental expenses for fiscal 2010.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2010 and 2009.

**Governmental Activities - Revenues and Expenses**



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

**Governmental Activities**

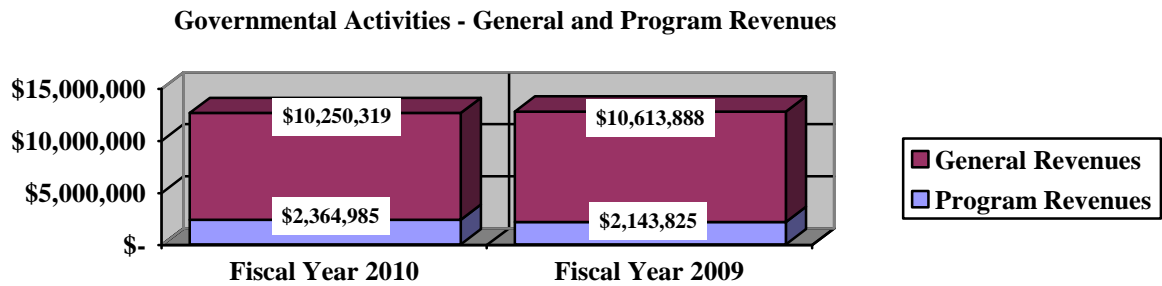
	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
<b>Program expenses</b>				
Instruction:				
Regular	\$ 4,903,059	\$ 4,452,001	\$ 5,618,026	\$ 5,208,827
Special	1,822,755	987,043	1,344,405	460,730
Vocational	143,306	111,077	133,787	101,973
Support services:				
Pupil	469,640	469,640	700,458	700,458
Instructional staff	329,388	267,174	275,200	191,275
Board of education	8,108	8,108	3,711	3,711
Administration	813,356	515,487	1,009,927	1,009,927
Fiscal	308,462	264,848	249,977	249,977
Business	58,739	58,739	66,102	66,102
Operations and maintenance	1,099,864	1,074,206	1,160,448	1,053,677
Pupil transportation	616,663	615,800	526,405	509,776
Central	3,175	3,175	1,489	1,489
Operations of non-instructional services:				
Food service operations	582,410	45,826	572,471	48,889
Extracurricular activities	320,447	241,263	268,577	180,347
Interest and fiscal charges	709,370	709,370	714,886	714,886
<b>Total expenses</b>	<u>\$ 12,188,742</u>	<u>\$ 9,823,757</u>	<u>\$ 12,645,869</u>	<u>\$ 10,502,044</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 80.80% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.60%. The District's taxpayers, and unrestricted grants and entitlements from the state, 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, 2010  
(UNAUDITED)

The graph below presents the District's governmental activities revenues for fiscal years 2010 and 2009.



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$18,303,986, which is less than last year's fund balance of \$24,481,015. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance (Deficit) <u>June 30, 2010</u>	Fund Balance (Deficit) <u>June 30, 2009</u>	<u>Increase</u> <u>Decrease</u>	<u>Percentage</u> <u>Change</u>
General	\$ (1,040,728)	\$ (1,047,616)	\$ 6,888	0.66 %
Classroom facilities	16,199,851	21,803,640	(5,603,789)	(25.70) %
Other governmental	<u>3,144,863</u>	<u>3,724,991</u>	<u>(580,128)</u>	(15.57) %
Total	<u>\$ 18,303,986</u>	<u>\$ 24,481,015</u>	<u>\$ (6,177,029)</u>	(25.23) %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)

***General Fund***

The District's general fund deficit balance decreased \$6,888. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 2,688,717	\$ 2,768,617	\$ (79,900)	(2.89) %
Tuition	276,411	232,005	44,406	19.14 %
Earnings on investments	2,826	17,456	(14,630)	(83.81) %
Intergovernmental	6,305,132	6,666,299	(361,167)	(5.42) %
Other revenues	<u>61,471</u>	<u>112,801</u>	<u>(51,330)</u>	(45.50) %
Total	<u>\$ 9,334,557</u>	<u>\$ 9,797,178</u>	<u>\$ (462,621)</u>	(4.72) %
<b><u>Expenditures</u></b>				
Instruction	\$ 5,869,057	\$ 5,995,843	\$ (126,786)	(2.11) %
Support services	3,205,372	3,715,404	(510,032)	(13.73) %
Extracurricular activities	229,237	194,504	34,733	17.86 %
Facilities acquisition and construction	-	906	(906)	100.00 %
Capital outlay	-	97,959	(97,959)	100.00 %
Debt service	<u>24,003</u>	<u>13,215</u>	<u>10,788</u>	81.63 %
Total	<u>\$ 9,327,669</u>	<u>\$ 10,017,831</u>	<u>\$ (690,162)</u>	(6.89) %

The increase in tuition revenue is due to an increase in open enrollment. The decrease in earnings on investments is the result of the declining interest rate market. The decrease in intergovernmental revenue was due to a decrease in State foundation revenue. However, the District received State Fiscal Stabilization Funds (SFSF) as part of the American Recovery and Reinvestment Act (ARRA) in the non-major funds which mitigated this decrease. Overall expenditures decreased \$690,162 or 6.89% from 2009. This decrease can be attributed to the decreases in both support services and capital outlay. Support service expenditures decreased \$510,032 or 13.73% from the prior year due to the prudent planning and budgeting of the District. The decrease in capital outlay of \$97,959 is due to the District entering into a capital leases during fiscal year 2009.

***Classroom Facilities Fund***

The classroom facilities fund had \$5,264,821 in revenues, primarily from the Ohio School Facilities Commission (OSFC) project, and \$10,868,610 in expenditures and other financing uses. During fiscal 2010, the classroom facilities fund balance decreased \$5,603,789 from a balance of \$21,803,640 to a balance of \$16,199,851 due to the District's expenditures for the OSFC construction project.

***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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)

During the course of fiscal year 2010, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$9,663,125 and final budgeted revenues and other financing sources were \$9,627,406. Actual revenues for fiscal year 2010 were \$9,300,550. This represents a \$326,856 decrease from final budgeted revenues.

General fund original and final appropriations totaled \$9,657,598. The actual budget basis expenditures for fiscal year 2010 totaled \$9,218,543, which was \$439,055 less than the final budget appropriations.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2010, the District had \$15,895,292 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2010 balances compared to June 30, 2009:

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

	Governmental Activities	
	<u>2010</u>	<u>2009</u>
Land	\$ 1,250,551	\$ 1,250,551
Construction in progress	13,750,546	2,273,959
Land improvements	126,775	141,007
Buildings and improvements	575,667	593,690
Furniture and equipment	137,686	160,964
Vehicles	<u>54,067</u>	<u>83,602</u>
Total	<u>\$ 15,895,292</u>	<u>\$ 4,503,773</u>

The overall increase in capital assets of \$11,391,519 is the result of additions of \$14,861 and construction in progress of \$11,476,587 exceeding depreciation expense of \$99,929 during fiscal year 2010.

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

*Debt Administration*

At June 30, 2010, the District had \$14,300,396 in general obligation bonds and \$71,553 in capital leases outstanding. Of this total, \$203,965 is due within one year and \$14,167,984 is due in greater than one year. The following table summarizes the bonds and capital leases outstanding.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)

**Outstanding Debt, at Year End**

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
General obligation bonds	\$ 14,300,396	\$ 14,458,918
Capital leases	<u>71,553</u>	<u>89,064</u>
Total	<u>\$ 14,371,949</u>	<u>\$ 14,547,982</u>

At June 30, 2010, the District had no remaining voted debt margin and an unvoted debt margin of \$130,757. See Note 10 to the basic financial statements for additional information on the District's debt administration.

**Current Related Financial Activities**

The District was declared in Fiscal Watch in February of 2006 and remains in Fiscal Watch. In October of 2010 the District requested from the Ohio Department of Education and the Ohio Auditor of State removal from Fiscal Watch. In FY2009 and early FY2010 the District negotiated, settled or otherwise resolved all outstanding legal issues defining the District's limits of liability in these cases. As such, the District projects to meet these obligations and its operating costs under current financial streams. The District's current financial condition continues to improve slowly.

As with most public school districts in Ohio, the District is dependent upon the State of Ohio's foundation payments. Currently the State of Ohio is subsidizing its obligation with Federal Stimulus dollars that expire in FY2011. The status of how or if the State of Ohio is able to replace that subsidy would have a significant impact upon the District.

The District's new school facility project is anticipated to provide operating efficiencies upon completion in March of 2011 with occupation beginning in September of 2011. The project is currently on schedule.

**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, 2010

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 9,759,426
Investments. . . . .	11,158,437
Receivables:	
Taxes . . . . .	4,419,541
Accounts. . . . .	201
Intergovernmental . . . . .	2,827,296
Accrued interest . . . . .	79,766
Materials and supplies inventory. . . . .	1,587
Unamortized bond issue costs. . . . .	281,143
Capital assets:	
Land and construction in progress. . . . .	15,001,097
Depreciable capital assets, net. . . . .	894,195
Capital assets, net . . . . .	15,895,292
Total assets. . . . .	44,422,689
<b>Liabilities:</b>	
Accounts payable. . . . .	113,483
Contracts payable. . . . .	1,348,143
Accrued wages and benefits . . . . .	949,146
Pension obligation payable. . . . .	228,685
Intergovernmental payable . . . . .	62,559
Unearned revenue . . . . .	3,497,201
Accrued interest payable . . . . .	313,802
Long-term liabilities:	
Due within one year. . . . .	474,698
Due within more than one year . . . . .	15,591,587
Total liabilities . . . . .	22,579,304
<b>Net assets:</b>	
Invested in capital assets, net of related debt. . . . .	14,825,049
Restricted for:	
Capital projects . . . . .	7,650,339
Debt service. . . . .	376,192
Classroom facilities maintenance . . . . .	260,358
State funded programs. . . . .	64
Federally funded programs . . . . .	544
Public school support . . . . .	24,131
Student activities . . . . .	1,891
Other purposes . . . . .	8,005
Unrestricted (deficit) . . . . .	(1,303,188)
Total net assets . . . . .	\$ 21,843,385

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, 2010

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 4,903,059	\$ 323,076	\$ 112,398	\$ 15,584	\$ (4,452,001)
Special . . . . .	1,822,755	-	835,712	-	(987,043)
Vocational . . . . .	143,306	-	32,229	-	(111,077)
Support services:					
Pupil . . . . .	469,640	-	-	-	(469,640)
Instructional staff . . . . .	329,388	-	62,214	-	(267,174)
Board of education . . . . .	8,108	-	-	-	(8,108)
Administration . . . . .	813,356	-	297,869	-	(515,487)
Fiscal . . . . .	308,462	-	43,614	-	(264,848)
Business . . . . .	58,739	-	-	-	(58,739)
Operations and maintenance . .	1,099,864	25,658	-	-	(1,074,206)
Pupil transportation . . . . .	616,663	863	-	-	(615,800)
Central . . . . .	3,175	-	-	-	(3,175)
Food service operations . . . . .	582,410	189,088	347,496	-	(45,826)
Extracurricular activities . . . . .	320,447	71,964	7,220	-	(241,263)
Interest and fiscal charges . . . .	709,370	-	-	-	(709,370)
Total governmental activities . . . .	<u>\$ 12,188,742</u>	<u>\$ 610,649</u>	<u>\$ 1,738,752</u>	<u>\$ 15,584</u>	<u>(9,823,757)</u>
<b>General revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					2,751,354
Special revenue . . . . .					57,715
Debt service . . . . .					796,180
Grants and entitlements not restricted to specific programs . . . . .					6,437,827
Investment earnings . . . . .					179,878
Miscellaneous . . . . .					27,365
Total general revenues . . . . .					<u>10,250,319</u>
Change in net assets . . . . .					426,562
Net assets at beginning of year . . . . .					<u>21,416,823</u>
Net assets at end of year . . . . .					<u>\$ 21,843,385</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 181,332	\$ 7,669,847	\$ 1,908,247	\$ 9,759,426
Investments. . . . .	-	9,764,110	1,394,327	11,158,437
<b>Receivables:</b>				
Taxes. . . . .	3,404,188	-	1,015,353	4,419,541
Accounts. . . . .	201	-	-	201
Intergovernmental. . . . .	3,085	2,598,712	225,499	2,827,296
Accrued interest. . . . .	-	69,799	9,967	79,766
Materials and supplies inventory. . . . .	-	-	1,587	1,587
Due from other funds. . . . .	1,216	-	-	1,216
<b>Total assets</b> . . . . .	<u>\$ 3,590,022</u>	<u>\$ 20,102,468</u>	<u>\$ 4,554,980</u>	<u>\$ 28,247,470</u>
<b>Liabilities:</b>				
Accounts payable. . . . .	\$ 47,962	\$ -	\$ 65,521	\$ 113,483
Contracts payable. . . . .	-	1,288,177	59,966	1,348,143
Judgements payable. . . . .	129,783	-	-	129,783
Accrued wages and benefits. . . . .	756,151	-	192,995	949,146
Compensated absences payable. . . . .	70,095	-	-	70,095
Early retirement incentive payable. . . . .	22,500	-	-	22,500
Pension obligation payable. . . . .	188,443	-	40,242	228,685
Intergovernmental payable. . . . .	51,255	-	11,304	62,559
Deferred revenue. . . . .	689,768	2,614,440	216,465	3,520,673
Unearned revenue. . . . .	2,674,793	-	822,408	3,497,201
Due to other funds. . . . .	-	-	1,216	1,216
<b>Total liabilities</b> . . . . .	<u>4,630,750</u>	<u>3,902,617</u>	<u>1,410,117</u>	<u>9,943,484</u>
<b>Fund balances:</b>				
Reserved for materials and supplies inventory. . . . .	-	-	1,587	1,587
Reserved for tax revenue unavailable for appropriation. . . . .	39,627	-	10,482	50,109
Reserved for debt service. . . . .	-	-	510,086	510,086
<b>Unreserved, undesignated (deficit), reported in:</b>				
General fund. . . . .	(1,080,355)	-	-	(1,080,355)
Special revenue funds. . . . .	-	-	225,721	225,721
Capital projects funds. . . . .	-	16,199,851	2,396,987	18,596,838
<b>Total fund balances (deficit)</b> . . . . .	<u>(1,040,728)</u>	<u>16,199,851</u>	<u>3,144,863</u>	<u>18,303,986</u>
<b>Total liabilities and fund balances</b> . . . . .	<u>\$ 3,590,022</u>	<u>\$ 20,102,468</u>	<u>\$ 4,554,980</u>	<u>\$ 28,247,470</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, 2010

<b>Total governmental fund balances</b>		\$ 18,303,986
<i>Amounts reported for governmental activities on 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.		15,895,292
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 872,231	
Intergovernmental receivable	2,630,468	
Accrued interest receivable	<u>17,974</u>	
Total		3,520,673
Unamortized bond issuance costs are not recognized in the funds governmental activities in the statement of net assets.		281,143
Unamortized premiums on bond issuance are not recognized in the funds.		(281,146)
On the statement of net assets interest is accrued on outstanding bonds, whereas in governmental funds, interest is accrued when due.		(313,802)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(886,247)	
Early retirement incentive payable	(45,000)	
Judgments payable	(259,565)	
Capital lease obligation	(71,553)	
General obligation bonds	<u>(14,300,396)</u>	
Total		<u>(15,562,761)</u>
<b>Net assets of governmental activities</b>		<u>\$ 21,843,385</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, 2010

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,688,717	\$ -	\$ 839,179	\$ 3,527,896
Tuition. . . . .	276,411	-	-	276,411
Transportation fees. . . . .	863	-	-	863
Earnings on investments . . . . .	2,826	112,697	107,137	222,660
Charges for services . . . . .	-	-	189,088	189,088
Extracurricular. . . . .	-	-	111,044	111,044
Classroom materials and fees . . . . .	7,585	-	-	7,585
Other local revenues . . . . .	53,023	-	8,298	61,321
Intergovernmental - state . . . . .	6,263,871	5,152,124	198,409	11,614,404
Intergovernmental - federal . . . . .	41,261	-	1,656,028	1,697,289
Total revenues . . . . .	<u>9,334,557</u>	<u>5,264,821</u>	<u>3,109,183</u>	<u>17,708,561</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular. . . . .	4,810,204	-	179,436	4,989,640
Special . . . . .	918,653	-	890,219	1,808,872
Vocational . . . . .	140,200	-	-	140,200
Support services:				
Pupil . . . . .	489,837	-	-	489,837
Instructional staff . . . . .	242,824	-	80,727	323,551
Board of education . . . . .	8,108	-	-	8,108
Administration . . . . .	529,142	-	299,532	828,674
Fiscal . . . . .	247,421	-	58,819	306,240
Business. . . . .	38,307	-	-	38,307
Operations and maintenance . . . . .	1,048,198	-	-	1,048,198
Pupil transportation . . . . .	598,360	-	-	598,360
Central . . . . .	3,175	-	-	3,175
Food service operations . . . . .	-	-	573,742	573,742
Extracurricular activities . . . . .	229,237	-	83,575	312,812
Facilities acquisition and construction. . . . .	-	10,868,610	655,861	11,524,471
Debt service:				
Principal retirement. . . . .	17,511	-	170,000	187,511
Interest and fiscal charges . . . . .	6,492	-	697,400	703,892
Total expenditures . . . . .	<u>9,327,669</u>	<u>10,868,610</u>	<u>3,689,311</u>	<u>23,885,590</u>
Net change in fund balances . . . . .	6,888	(5,603,789)	(580,128)	(6,177,029)
<b>Fund balances (deficit) at beginning of year . . . . .</b>	<u>(1,047,616)</u>	<u>21,803,640</u>	<u>3,724,991</u>	<u>24,481,015</u>
<b>Fund balances (deficit) at end of year . . . . .</b>	<u>\$ (1,040,728)</u>	<u>\$ 16,199,851</u>	<u>\$ 3,144,863</u>	<u>\$ 18,303,986</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, 2010

**Net change in fund balances - total governmental funds** \$ (6,177,029)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital asset additions	\$	11,491,448	
Current year depreciation		(99,929)	
Total			11,391,519

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

Taxes		77,353	
Intergovernmental revenue		(5,127,902)	
Accrued interest		(42,708)	
Total			(5,093,257)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 187,511

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due. The following items resulted in additional interest being recorded in the statement of activities:

Decrease in accrued interest payable		6,000	
Accreted interest on capital appreciation bonds		(11,478)	
Amortization of bond premium		10,989	
Amortization of bond issuance costs		(10,989)	
Total			(5,478)

Some expenses reported in the statement of activities, such as compensated absences, judgments payable and early retirement incentives, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 123,296

**Change in net assets of governmental activities** \$ 426,562

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, 2010

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,712,340	\$ 2,750,795	\$ 2,657,485	\$ (93,310)
Tuition . . . . .	225,842	286,116	276,411	(9,705)
Transportation fees . . . . .	1,962	921	890	(31)
Earnings on investments . . . . .	17,092	3,072	2,668	(404)
Classroom materials and fees . . . . .	7,164	7,851	7,585	(266)
Other local revenues . . . . .	102,337	54,884	53,023	(1,861)
Intergovernmental - state . . . . .	6,559,279	6,483,810	6,263,871	(219,939)
Intergovernmental - federal . . . . .	25,234	39,516	38,176	(1,340)
Total revenues . . . . .	<u>9,651,250</u>	<u>9,626,965</u>	<u>9,300,109</u>	<u>(326,856)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	5,005,033	5,005,033	4,777,494	227,539
Special . . . . .	980,108	980,108	935,550	44,558
Vocational . . . . .	146,698	146,698	140,029	6,669
Support services:				
Pupil . . . . .	498,566	498,566	475,900	22,666
Instructional staff . . . . .	228,877	228,877	218,472	10,405
Board of education . . . . .	8,488	8,488	8,102	386
Administration . . . . .	561,059	561,059	535,552	25,507
Fiscal . . . . .	255,362	255,362	243,753	11,609
Business . . . . .	64,439	64,439	61,509	2,930
Operations and maintenance . . . . .	1,082,245	1,082,245	1,033,044	49,201
Pupil transportation . . . . .	584,122	584,122	557,567	26,555
Central . . . . .	3,180	3,180	3,035	145
Extracurricular activities . . . . .	239,421	239,421	228,536	10,885
Total expenditures . . . . .	<u>9,657,598</u>	<u>9,657,598</u>	<u>9,218,543</u>	<u>439,055</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(6,348)</u>	<u>(30,633)</u>	<u>81,566</u>	<u>112,199</u>
<b>Other financing sources:</b>				
Refund of prior year's expenditures . . . . .	-	441	441	-
Sale of assets . . . . .	11,875	-	-	-
Total other financing sources . . . . .	<u>11,875</u>	<u>441</u>	<u>441</u>	<u>-</u>
Net change in fund balance . . . . .	5,527	(30,192)	82,007	112,199
<b>Fund balance at beginning of year . . . . .</b>	<b>20,120</b>	<b>20,120</b>	<b>20,120</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>80,263</b>	<b>80,263</b>	<b>80,263</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 105,910</b>	<b>\$ 70,191</b>	<b>\$ 182,390</b>	<b>\$ 112,199</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2010

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 866	\$ 27,283
Total assets. . . . .	<u>866</u>	<u>\$ 27,283</u>
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 550
Due to students. . . . .	-	26,733
Total liabilities . . . . .	<u>-</u>	<u>\$ 27,283</u>
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	<u>866</u>	
Total net assets . . . . .	<u>\$ 866</u>	

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, 2010

	<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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**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 440<sup>th</sup> largest by enrollment among the 905 public and community school districts in the State. The District employs 79 certified employees and 62 non-certified employees and provides services to 1,186 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) guidance issued on or before November 30, 1989, to its governmental activities provided they 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 and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**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 POOLS*

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.

Trumbull County Schools Employee Insurance Benefit Consortium Association

The Trumbull County Schools Employee Insurance Benefit Consortium Association (the "Consortium") is a shared risk pool comprised of sixteen Trumbull County school districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly exercises controls over the operations of the Consortium. All Consortium revenues are generated from charges for services and remitted to the fiscal agent Trumbull County Educational Service Center. The fiscal agent will then remit the charges for services to Watson Wyatt Worldwide in Cleveland, Ohio, an agent of Medical Mutual, who acts in the capacity of a third-party administrator (TPA) for claims processing.

**B. Fund Accounting**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

*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.

The following are the District's major governmental funds:

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.

Classroom facilities fund - The classroom facilities capital projects fund is used to account for financial resources and expenditures related to the school facilities construction project.

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; (b) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (c) food service and uniform school supplies services; and, (d) 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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.

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 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 are recorded as deferred revenue on the governmental fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2010 are recorded as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

The 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 2010 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 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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 July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The 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 2010.
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.
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, 2010, 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 equivalents" on the basic financial statements.

During fiscal year 2010, investments were limited to nonnegotiable certificates of deposit, federal agency securities, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices.



**BROOKFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

The District has invested funds in STAR Ohio during fiscal year 2010. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2010.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the 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 2010 amounted to \$2,826, of which \$2,415 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.

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.

**BROOKFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

All reported capital assets, except land and construction in progress, 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 to account for negative cash balances are classified as “due to/from other funds”. These amounts are eliminated in the governmental activities column on the statement of net assets.

**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.

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.

**BROOKFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

**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 and judgments payable that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

**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 property taxes unavailable for appropriation, debt service and materials and supplies inventory. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

**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. Net assets restricted for other purposes consist of amounts restricted for uniform school supplies.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

**O. 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. The District had no transfers during fiscal year 2010.

**P. Bond Issuance Costs/Premiums**

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 10.

**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 2010.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Major fund</u>	<u>Deficit</u>
General	\$ 1,040,728
 <u>Nonmajor funds</u>	
Food service	14,273
Management information system	9,199
Ohio reads	1,479
IDEA, Part B	26,664
Education stabilization fund	2,004
Title I, disadvantaged children	368
Improving teacher quality	117

The deficit fund balances resulted from adjustments for accrued liabilities. These deficits should be eliminated by future revenues not recognized under GAAP at June 30.

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

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);
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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, 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, 2010, the carrying amount of all District deposits was \$9,776,102. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$9,298,688 of the District's bank balance of \$9,800,011 was exposed to custodial risk as discussed below, while \$501,323 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**B. Investments**

As of June 30, 2010, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>
FNMA	\$ 2,071,463	\$ 2,071,463	\$ -	\$ -
FHLMC	803,344	803,344	-	-
FFCB	2,029,380	2,029,380	-	-
Negotiable CDs	6,254,250	750,000	5,253,845	250,405
STAR Ohio	<u>10,257</u>	<u>10,257</u>	-	-
Total	<u>\$ 11,168,694</u>	<u>\$ 5,664,444</u>	<u>\$ 5,253,845</u>	<u>\$ 250,405</u>

The weighted average maturity of investments is 0.47 years.

**BROOKFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

*Interest Rate Risk:* Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy places a five year limit on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk:* The District's federal agency securities were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio and the U.S. Government money market an AAAM money market rating. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* The District's investment policy places specific limits on the percentage of the District's portfolio 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, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FNMA	\$ 2,071,463	18.55
FHLMC	803,344	7.19
FFCB	2,029,380	18.17
Negotiable CDs	6,254,250	56.00
STAR Ohio	<u>10,257</u>	<u>0.09</u>
Total	<u>\$ 11,168,694</u>	<u>100.00</u>



**BROOKFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 9,777,318
Investments	<u>11,168,694</u>
Total	<u>\$ 20,946,012</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 20,917,863
Private-purpose trust fund	866
Agency fund	<u>27,283</u>
Total	<u>\$ 20,946,012</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

At June 30, 2010, amounts due to/from other funds as reported on the fund statements, consist of the following:

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 1,216

The primary purpose of the interfund balances is to cover negative cash balances at June 30. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2010 are reported on the statement of net assets.

**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.

**BROOKFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year

2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, 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.

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, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$39,627 in the general fund and \$9,774 in the bond retirement debt service fund and \$708 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2009 was \$8,395 in the general fund and \$2,094 in the bond retirement debt service fund and \$151 in the permanent improvement fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 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 the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been deferred.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 122,604,410	92.98	\$ 121,903,970	93.09
Public utility personal	397,313	0.31	198,885	0.15
Tangible personal property	<u>8,852,500</u>	<u>6.71</u>	<u>8,853,520</u>	<u>6.76</u>
Total	<u>\$ 131,854,223</u>	<u>100.00</u>	<u>\$ 130,956,375</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$44.10		\$44.10	
Debt service	6.90		6.90	
Classroom facilities	0.50		0.50	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2010 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:

<b>Governmental activities:</b>	
Taxes	\$ 4,419,541
Accounts	201
Intergovernmental	2,827,296
Accrued interest	<u>79,766</u>
Total	<u>\$ 7,326,804</u>

Receivables have been disaggregated on the face of the basic financial statements. The intergovernmental receivable in the amount of \$2,598,712 reported in the classroom facilities fund is expected to be collected over the length of the project as the Ohio Schools Facilities Commission construction project is completed. All other receivables are expected to be collected in the subsequent year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 8 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2010 is as follows:

	<u>Balance</u> <u>06/30/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/10</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,250,551	\$ -	\$ -	\$ 1,250,551
Construction in progress	<u>2,273,959</u>	<u>11,476,587</u>	<u>-</u>	<u>13,750,546</u>
Total capital assets, not being depreciated	<u>3,524,510</u>	<u>11,476,587</u>	<u>-</u>	<u>15,001,097</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	572,735	-	-	572,735
Buildings and improvements	3,389,231	-	-	3,389,231
Furniture and equipment	929,444	14,861	-	944,305
Vehicles	<u>997,272</u>	<u>-</u>	<u>-</u>	<u>997,272</u>
Total capital assets, being depreciated	<u>5,888,682</u>	<u>14,861</u>	<u>-</u>	<u>5,903,543</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(431,728)	(14,232)	-	(445,960)
Buildings and improvements	(2,795,541)	(18,023)	-	(2,813,564)
Furniture and equipment	(768,480)	(38,139)	-	(806,619)
Vehicles	<u>(913,670)</u>	<u>(29,535)</u>	<u>-</u>	<u>(943,205)</u>
Total accumulated depreciation	<u>(4,909,419)</u>	<u>(99,929)</u>	<u>-</u>	<u>(5,009,348)</u>
Governmental activities capital assets, net	<u>\$ 4,503,773</u>	<u>\$ 11,391,519</u>	<u>\$ -</u>	<u>\$ 15,895,292</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 47,399
<u>Support services:</u>	
Pupil	1,002
Business	19,592
Operations and maintenance	1,084
Pupil transportation	19,205
Extracurricular activities	7,635
Food service operations	<u>4,012</u>
Total depreciation expense	<u>\$ 99,929</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

In a prior fiscal year, the District entered into capitalized leases for copier equipment. This lease agreement meets 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 \$97,959. 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, 2010 was \$29,388, leaving a current book value of \$68,571. Principal payments in fiscal year 2010 totaled \$17,511 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, 2010:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 24,004
2012	24,004
2013	24,004
2014	<u>10,002</u>
Total minimum lease payments	82,014
Less: amount representing interest	<u>(10,461)</u>
Total	<u>\$ 71,553</u>

**BROOKFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 10 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2010, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/09</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/10</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
<u>General obligation bonds</u>					
<u>2008 series issue:</u>					
G.O. bonds payable - 2008 3.25% - 5.25%	\$ 14,235,000	\$ -	\$ (170,000)	\$ 14,065,000	\$ 185,000
G.O. bonds payable - CAB 4.20% - 4.35%	215,729	-	-	215,729	-
Accreted interest on CABs	8,189	11,478	-	19,667	-
<u>Other long-term obligations:</u>					
Capital lease obligation	89,064	-	(17,511)	71,553	18,965
Early retirement incentive	90,000	-	(22,500)	67,500	22,500
Judgments payable	519,128	-	(129,780)	389,348	129,783
Compensated absences	<u>890,901</u>	<u>129,880</u>	<u>(64,439)</u>	<u>956,342</u>	<u>118,450</u>
Total governmental activities	<u>\$ 16,048,011</u>	<u>\$ 141,358</u>	<u>\$ (404,230)</u>	15,785,139	<u>\$ 474,698</u>
Unamortized premium on bonds				<u>281,146</u>	
Total on statement of net assets				<u>\$ 16,066,285</u>	

**B. General Obligation Bonds**

On April 17, 2008, the District issued \$14,810,729 in general obligation bonds (Series 2008 School Facilities Construction and Improvement Bonds). The bond issue represents the District's local share and local funded initiatives of a construction project approved and significantly funded by the Ohio School Facilities Commission (OSFC). The OSFC has awarded the District a \$20,107,969 grant for the project, and will make quarterly disbursements to the District until the project is completed. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to this bond issue will be recorded as an expenditure in the bond retirement fund, a nonmajor governmental fund. The source of payment is derived from a 6.9 mil bonded debt tax levy. In conjunction with the 6.9 mils which support the bond issue, the District also passed in fiscal year 2008 a .5 mil levy to ultimately fund the maintenance costs of the new facilities. Tax revenue from this levy will be reported in the classroom facilities maintenance fund, (a nonmajor governmental fund).

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

This issue is comprised of both current interest bonds, par value \$14,595,000 and capital appreciation bonds, par value \$215,729. The interest rates on the current interest bonds range from 3.25 to 5.25%. The capital appreciation bonds mature on January 15, 2016 (effective interest 5.304%) and January 15, 2017 (effective interest 4.99%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$330,000. A total of \$19,667 in accreted interest has been included in the statement of net assets at June 30, 2010.

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payment of principal and interest relating to this bond are recorded as an expenditure in the bond retirement fund (a nonmajor governmental fund).

Interest payments on the current interest bonds are due January 15 and July 15 of each year. The final maturity stated in the issues is January 15, 2036.

As of fiscal year end, \$13,563,185 of the bond proceeds was unspent

The following is a summary of the future debt service requirements to maturity for the 2008 Series bonds:

Fiscal Year Ending	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 185,000	\$ 691,875	\$ 876,875	\$ -	\$ -	\$ -
2012	190,000	685,862	875,862	-	-	-
2013	255,000	679,688	934,688	-	-	-
2014	270,000	670,762	940,762	-	-	-
2015	280,000	661,313	941,313	215,729	114,271	330,000
2016 - 2020	1,535,000	3,159,012	4,694,012	-	-	-
2021 - 2025	2,640,000	2,652,500	5,292,500	-	-	-
2026 - 2030	3,370,000	1,923,500	5,293,500	-	-	-
2031 - 2035	4,330,000	970,200	5,300,200	-	-	-
2036	<u>1,010,000</u>	<u>53,025</u>	<u>1,063,025</u>	-	-	-
Total	<u>\$ 14,065,000</u>	<u>\$ 12,147,737</u>	<u>\$ 26,212,737</u>	<u>\$ 215,729</u>	<u>\$ 114,271</u>	<u>\$ 330,000</u>

**C. Judgments Payable**

On December 4, 2008, the District filed an administrative appeal in the Trumbull County Court of Common Pleas seeking to vacate an adverse decision by the State Employment Relations Board (SERB). Pursuant to a judgment entry by the Court on June 3, 2009, the Board incurred an obligation to certain bargaining unit members in the amount of \$554,528. The District has paid \$129,780 during fiscal year 2010 and has accrued the remaining \$389,348 due in three equal annual installments. The current liability has been reflected as judgments payable in the general fund.

**BROOKFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

**D. 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, 2010, resulted in no remaining voted debt margin and an unvoted debt margin of \$130,757. The District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation because it has been designated a "special needs" school district as permitted by Ohio Revised Code Section 133.06(E).

**NOTE 11 - 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 20 days of vacation per year and the Treasurer is granted 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:

<u>Hired prior to July 1, 1995</u>		<u>Hired after July 1, 1995</u>	
<u>Year Service</u>	<u>Vacation Days</u>	<u>Year Service</u>	<u>Vacation Days</u>
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.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - COMPENSATED ABSENCES - (Continued)**

Classified employees must have been employed under contract for ten or more years or be 60 years of age with 5 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, 183 times 1/4 of accumulated unused sick leave to a maximum of 60 days.

The District provided an early retirement incentive plan for State Teacher's Retirement System of Ohio (STRS Ohio) employees who are eligible for retirement under STRS Ohio guidelines and retire effective at the end of the fiscal year 2009 school year. This was a one time opportunity for those eligible in fiscal year 2009. Employees who enrolled in the early retirement incentive plan submitted written notification to the Board on or before May 1, 2009. The early retirement incentive buyout amounts are paid in four cash payments on the 1<sup>st</sup> of September beginning on September 1, 2009. Six employees took advantage of the early retirement incentive in fiscal year 2009.

**NOTE 12 - RISK MANAGEMENT**

**A. General Risk**

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

General liability insurance is maintained in the amount of \$2,000,000 for each occurrence and \$3,000,000 in the aggregate.

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

The District maintains replacement cost insurance on buildings and contents in the amount of \$32,268,556.

Settled claims have not exceeded commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from last year.

**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.

**BROOKFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - RISK MANAGEMENT - (Continued)**

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. Participation in the Plan is limited to school districts than can meet the Plan's selection criteria. The firm of CompManagement 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 13 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.74 percent and .04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$156,600, \$109,321 and \$113,658, respectively; 42.47 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**BROOKFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 13 - PENSION PLANS - (Continued)**

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

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2010, 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. Contribution rates are established by the State Teachers Retirement Board, upon recommendations 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 for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$586,598, \$559,253 and \$565,136, respectively; 84.35 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$13,399 made by the District and \$9,570 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**BROOKFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$23,779, \$73,120 and \$76,079, respectively; 42.47 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$9,313, \$9,020, and \$8,189, respectively; 42.47 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

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

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$45,123, \$43,019 and \$43,472, respectively; 84.35 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenues, 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); and,
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

	General fund
Budget basis	\$ 82,007
Net adjustment for revenue accruals	34,448
Net adjustment for expenditure accruals	(109,126)
Net adjustment for other sources/uses	(441)
GAAP basis	\$ 6,888

**NOTE 16 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is 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. During fiscal year 2009, the District received an adverse judgment resulting in a liability for the District. See note 10 for detail on judgments against the District.

**NOTE 17 - 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 17 - 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.

	Textbooks/ Instructional <u>Materials</u>	Capital Maintenance <u>Reserve</u>
Set-aside balance as of June 30, 2009	\$ (20,378)	\$ (14,810,729)
Current year set-aside requirement	202,576	202,576
Current year offsets	-	-
Qualifying disbursements	<u>(186,751)</u>	<u>(349,010)</u>
Total	<u>\$ (4,553)</u>	<u>\$ (14,957,163)</u>
Balance carried forward to fiscal year 2011	<u>\$ (4,553)</u>	<u>\$ (14,810,729)</u>

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the textbooks/instructional materials and capital acquisition reserves, these extra amounts may be used to reduce the set-aside requirements for future years. The negative amounts are therefore presented as being carried forward to next fiscal year.

**NOTE 18 - 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 has performed a performance audit and has made recommendations to the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 19 - CONTRACTUAL COMMITMENTS**

As of June 30, 2010, the District has commitments with the following companies for the construction project.

	Contract Amount	Amount Paid as of June 30, 2010	Amount Remaining on Contract
Balog, Steines, Hendricks & Manchester	\$ 1,600,766	\$ 1,344,644	\$ 256,122
Four Seasons Environmental, Inc.	55,873	13,351	42,522
Mays Consulting & Evaluation Services	22,130	-	22,130
Hudson Construction, Inc.	15,779,291	6,936,468	8,842,823
Komar Plumbing Company, Inc.	1,057,566	519,414	538,152
SA Communale Company, Inc.	223,500	37,580	185,920
WT Tri Area Electric Company	3,552,613	1,138,116	2,414,497
York Mahoning Mechical Contractors	<u>2,862,945</u>	<u>1,141,597</u>	<u>1,721,348</u>
Total	<u>\$ 25,154,684</u>	<u>\$ 11,131,170</u>	<u>\$ 14,023,514</u>

These contractual commitments relate to the OSFC project undertaken by the District. In addition to the amounts paid above, the District has recorded contracts payable in the amounts of \$1,348,143 for costs incurred prior to fiscal year end on the OSFC project. Costs incurred by fiscal year end (including contracts payable) have been recorded as construction-in-progress in the District's capital assets (See Note 8).



**BROOKFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2010**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Grant Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
<i>Child Nutrition Cluster:</i>						
<i>Non-Cash Assistance (Food Distribution):</i>						
National School Lunch Program	2010	10.555		\$9,487		\$9,487
<i>Cash Assistance:</i>						
National School Breakfast Program	2010	10.553	\$65,821		\$65,821	
National School Lunch Program	2010	10.555	208,921		208,921	
Subtotal - Cash Assistance			<u>274,742</u>		<u>274,742</u>	
<i>Total Child Nutrition Cluster</i>			<u>274,742</u>	<u>9,487</u>	<u>274,742</u>	<u>9,487</u>
Total U.S. Department of Agriculture			274,742	9,487	274,742	9,487
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
<i>Title 1, Part A Cluster:</i>						
Grants to Local Educational Agencies - ESEA Title 1	2009	84.010	54,324		86,603	
	2010		265,285		264,195	
Subtotal - CFDA No. 84.010			<u>319,609</u>		<u>350,798</u>	
ARRA - Title I School Subsidy	2010	84.389	85,628		84,653	
<i>Total - Title 1, Part A Cluster</i>			<u>405,237</u>		<u>435,451</u>	
<i>Special Education Cluster:</i>						
Special Education Grants to States - (IDEA Part B)	2009	84.027	14,688		32,945	
	2010		241,950		242,261	
Subtotal - CFDA No. 84.027			<u>256,638</u>		<u>275,206</u>	
ARRA - IDEA Part B	2010	84.391	123,978		124,883	
<i>Total Special Education Cluster</i>			<u>380,616</u>		<u>400,089</u>	
Safe and Drug Free Schools Grant	2009	84.186	4,751		4,751	
	2010		4,172		4,172	
Subtotal - CFDA No. 84.186			<u>8,923</u>		<u>8,923</u>	
Innovative Educational Program Strategies	2009	84.298	885		983	
Technology State Grants - Title II-D	2009	84.318	2,477		2,477	
	2010		3,202		3,202	
Subtotal - CFDA No. 84.318			<u>5,679</u>		<u>5,679</u>	
Improving Teacher Quality State Grants - Title II-A	2009	84.367	5,213		10,837	
	2010		73,983		72,598	
Subtotal - CFDA No. 84.367			<u>79,196</u>		<u>83,435</u>	
ARRA State Fiscal Stabilization Fund	2010	84.394	358,792		358,792	
Total U.S. Department of Education			<u>1,239,328</u>		<u>1,293,352</u>	
<b>Totals</b>			<b><u>\$1,514,070</u></b>	<b><u>\$9,487</u></b>	<b><u>\$1,568,094</u></b>	<b><u>\$9,487</u></b>

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

**BROOKFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

Program regulations do not require the District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The District reports commodities consumed on the Schedule at the entitlement value.

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



# Dave Yost • 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, each 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, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 17, 2011. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

### 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 17, 2011.

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



**Dave Yost**  
Auditor of State

February 17, 2011



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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 could directly and materially affect each of Brookfield Local School District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings and questioned costs 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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 could directly and materially affect each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists this instance as Finding 2010-001.

### 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 the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-001 a material weakness.

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



**Dave Yost**  
Auditor of State

February 17, 2011

**BROOKFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b> Title 1, Part A Cluster State Fiscal Stabilization Fund Special Education Cluster Title VI-B	84.010 & 84.389 84.394 84.027 & 84.391
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

None noted.

**BROOKFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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<b>Finding Number</b>	2010-001
<b>CFDA Title and Number</b>	State Fiscal Stabilization Fund - 84.394
<b>Federal Award Number / Year</b>	2010 (7/1/09 – 6/30/10)
<b>Federal Agency</b>	U. S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Activities Allowed or Unallowed – Questioned Cost**

**Noncompliance and Material Weakness**

Per 2 CFR, Part 225, Appendix A(C)(1)(c), to be allowable under Federal awards, costs must be authorized or not prohibited under State or local laws or regulations. According to **Section 3313.24 of the Ohio Rev. Code**, the treasurer “shall be paid from the general fund of the district”. Our test of payroll expenditures indicated the District charged the Treasurer’s salary in the amount of \$43,636 to the State Fiscal Stabilization Fund, which is prohibited under State law. Therefore, we must question the payment of the Treasurer’s salary as an allowable cost of the State Fiscal Stabilization Fund.

The District has agreed that the payment of the Treasurer’s salary from a fund other than the general fund is a violation of State law. Adjustments in the amount of \$43,636 have been posted to the accounting records to properly charge the Treasurer’s salary to the general fund and to expend the State Fiscal Stabilization Funds on administrative salaries, an allowable cost of the program.

**Officials’ Response**

We did not receive a response from Officials to this finding.



**BROOKFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2010**

<b>Finding Number</b>	<b>Corrective Action</b>	<b>Completion Date</b>	<b>Responsible Contact Person</b>
2010-001	The District has made adjustments to its accounting records to eliminate the Treasurer's salary as an expenditure of the State Fiscal Stabilization Fund.	1/31/11	David Drawl Treasurer

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# Dave Yost • 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  
MARCH 31, 2011**