



Mary Taylor, CPA  
Auditor of State



**BROOKFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brookfield Local School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2008, 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, 2008, 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 December 2, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**Mary Taylor, CPA**  
Auditor of State

December 2, 2009

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
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, 2008. 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 2008 are as follows:

- In total, net assets of governmental activities increased \$20,875,214 which represents a 4,857.36% increase from 2007. This increase is due to the start up of the Ohio School Facilities Commission construction project.
- General revenues accounted for \$29,726,505 in revenue or 92.60% of all revenues. The District also posted a special item for the gain on sale of capital assets for \$139,000. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,236,627 or 6.97% of total revenues of \$32,102,132.
- The District had \$11,226,918 in expenses related to governmental activities; \$2,236,627 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 \$29,726,505 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 \$9,603,775 in revenues and \$9,341,247 in expenditures. During fiscal 2008, the general fund's fund deficit decreased \$262,528 from \$1,187,450 to \$924,922.
- The classroom facilities fund had \$17,597,578 in revenues and other financing sources and \$763,977 in expenditures. At June 30, 2008, the classroom facilities fund had an ending fund balance of \$16,833,601.

**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, 2008  
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**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 2008?" 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, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's 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, 2008  
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***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 for 2008 and 2007.

	<b>Net Assets</b>		
	Governmental Activities 2008	Governmental Activities 2007	Percentage Change
<b><u>Assets</u></b>			
Current and other assets	\$ 40,319,212	\$ 3,934,740	924.70 %
Capital assets	<u>2,042,835</u>	<u>1,628,049</u>	25.48 %
Total assets	<u>42,362,047</u>	<u>5,562,789</u>	661.53 %
<b><u>Liabilities</u></b>			
Current liabilities	5,187,644	4,377,356	18.51 %
Long-term liabilities	<u>15,869,424</u>	<u>755,668</u>	2,000.05 %
Total liabilities	<u>21,057,068</u>	<u>5,133,024</u>	310.23 %
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	2,041,643	1,624,160	25.70 %
Restricted	20,285,770	331,222	6,024.52 %
Unrestricted (deficit)	<u>(1,022,434)</u>	<u>(1,525,617)</u>	32.98 %
Total net assets	<u>\$ 21,304,979</u>	<u>\$ 429,765</u>	4,857.36 %

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$21,304,979. Of this total, \$20,285,770 is restricted in use.

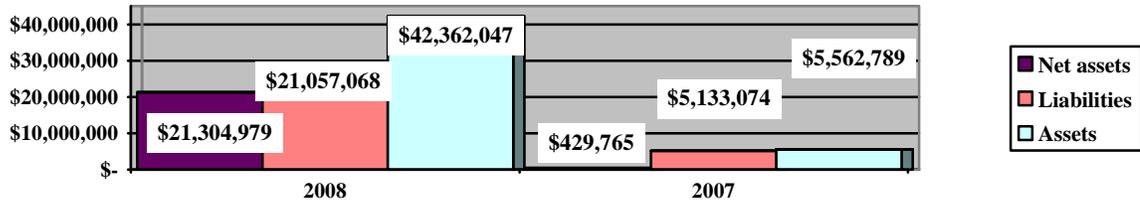
At year-end, capital assets represented 4.82% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$2,041,643. These 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  
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A portion of the District's net assets, \$20,285,770, represents resources that are subject to external restriction on how they may be used. The remaining balance of net assets is a deficit of \$1,022,434.

**Governmental Activities**



The table below shows the change in net assets for fiscal years 2008 and 2007.

**Change in Net Assets**

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>			
Program revenues:			
Charges for services and sales	\$ 623,587	\$ 618,446	0.83 %
Operating grants and contributions	1,606,944	1,487,085	8.06 %
Capital grants and contributions	6,096	-	100.00 %
General revenues:			
Property taxes	3,663,656	3,187,905	14.92 %
Grants and entitlements	26,077,092	5,836,656	346.78 %
Investment earnings	200,568	27,019	642.32 %
Decrease in FMV of investments	(214,811)	-	(100.00) %
Other	-	48,168	(100.00) %
<b>Total revenues</b>	<u>31,963,132</u>	<u>11,205,279</u>	185.25 %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Change in Net Assets**

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>	Percentage <u>Change</u>
<b><u>Expenses</u></b>			
Program expenses:			
Instruction:			
Regular	\$ 5,285,876	\$ 5,305,377	(0.37) %
Special	1,290,853	1,519,166	(15.03) %
Vocational	136,589	115,033	18.74 %
Other	4,976	1,910	160.52 %
Support services:			
Pupil	459,429	299,954	53.17 %
Instructional staff	359,137	223,863	60.43 %
Board of education	7,002	5,232	33.83 %
Administration	884,318	858,719	2.98 %
Fiscal	220,449	297,723	(25.95) %
Business	67,248	62,869	6.97 %
Operations and maintenance	1,126,712	1,212,046	(7.04) %
Pupil transportation	484,700	520,811	(6.93) %
Central	1,050	-	100.00 %
Food service operations	482,800	468,403	3.07 %
Extracurricular activities	256,827	246,226	4.31 %
Interest and fiscal charges	<u>158,952</u>	<u>16,904</u>	840.32 %
Total expenses	<u>11,226,918</u>	<u>11,154,236</u>	0.65 %
Special item	<u>139,000</u>	<u>-</u>	100.00 %
Change in net assets	20,875,214	51,043	40,797.31 %
Net assets at beginning of year	<u>429,765</u>	<u>378,722</u>	13.48 %
Net assets at end of year	<u>\$ 21,304,979</u>	<u>\$ 429,765</u>	4,857.36 %

**Governmental Activities**

Net assets of the District's governmental activities increased \$20,875,214. Total governmental expenses of \$11,226,918 were offset by program revenues of \$2,236,627 and general revenues of \$29,726,505. Program revenues supported 19.92% 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 92.64% of total governmental revenue.

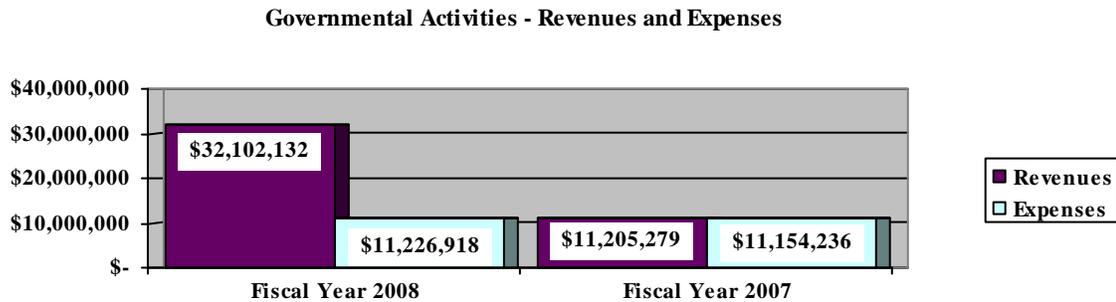
The District's financial condition has declined in recent years. Taxpayers have not supported additional operating levies and state support has remained flat due to cuts in state funding. In addition, escalating health care, utility, maintenance, property, fleet and liability insurance, and vehicle fuel costs have out-paced revenue growth. The District has taken cost containment steps: closing one building for the fiscal 2008 school year and staff reductions.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
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The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,718,294 or 59.84% of total governmental expenses for fiscal 2008.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2008 and 2007.



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**

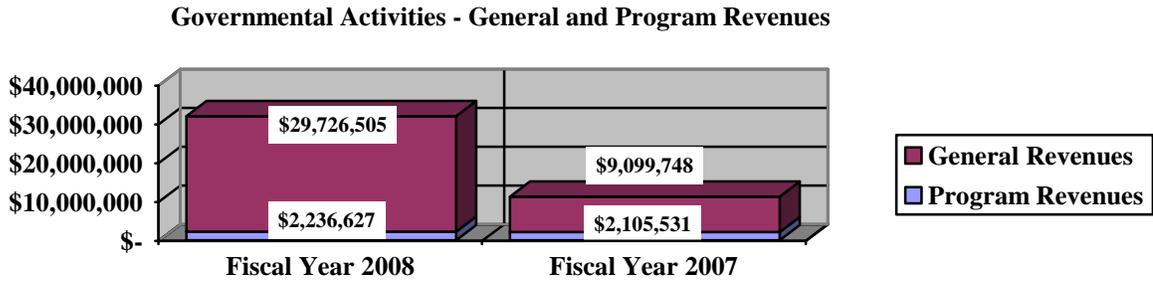
	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
<b>Program expenses</b>				
Instruction:				
Regular	\$ 5,285,876	\$ 4,909,472	\$ 5,305,377	\$ 4,916,229
Special	1,290,853	467,370	1,519,166	601,963
Vocational	136,589	97,786	115,033	79,854
Other	4,976	(79)	1,910	1,910
Support services:				
Pupil	459,429	459,429	299,954	294,832
Instructional staff	359,137	98,344	223,863	129,608
Board of education	7,002	7,002	5,232	5,232
Administration	884,318	820,909	858,719	811,127
Fiscal	220,449	220,449	297,723	297,723
Business	67,248	67,248	62,869	62,869
Operations and maintenance	1,126,712	1,036,719	1,212,046	1,167,279
Pupil transportation	484,700	478,565	520,811	517,375
Central	1,050	1,050	-	-
Operations of non-instructional services:				
Food service operations	482,800	(20,198)	468,403	(43,017)
Extracurricular activities	256,827	187,273	246,226	188,817
Interest and fiscal charges	158,952	158,952	16,904	16,904
<b>Total expenses</b>	<u>\$ 11,226,918</u>	<u>\$ 8,990,291</u>	<u>\$ 11,154,236</u>	<u>\$ 9,048,705</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
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The dependence upon tax and other general revenues for governmental activities is apparent, 81.49% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.08%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2008 and 2007.



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$16,571,073, which is higher than last year's fund deficit balance of \$1,042,986. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance (Deficit) <u>June 30, 2008</u>	Fund Balance (Deficit) <u>June 30, 2007</u>	<u>Increase</u>	<u>Percentage Change</u>
General	\$ (924,922)	\$ (1,187,450)	\$ 262,528	22.11 %
Classroom facilities	16,833,601	-	16,833,601	100.00 %
Other Governmental	<u>662,394</u>	<u>144,464</u>	<u>517,930</u>	358.52 %
Total	<u>\$ 16,571,073</u>	<u>\$ (1,042,986)</u>	<u>\$ 17,614,059</u>	1,688.81 %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
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***General Fund***

The District's general fund deficit balance decreased \$262,528. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 2,936,331	\$ 3,186,184	\$ (249,853)	(7.84) %
Tuition	195,873	183,489	12,384	6.75 %
Earnings on investments	26,031	27,019	(988)	(3.66) %
Intergovernmental	6,347,253	6,270,858	76,395	1.22 %
Other revenues	<u>98,287</u>	<u>100,400</u>	<u>(2,113)</u>	(2.10) %
Total	<u>\$ 9,603,775</u>	<u>\$ 9,767,950</u>	<u>\$ (164,175)</u>	(1.68) %
<b><u>Expenditures</u></b>				
Instruction	\$ 5,912,465	\$ 6,001,735	\$ (89,270)	(1.49) %
Support services	3,225,870	3,272,540	(46,670)	(1.43) %
Extracurricular activities	185,382	185,960	(578)	(0.31) %
Debt service	<u>17,530</u>	<u>19,397</u>	<u>(1,867)</u>	(9.63) %
Total	<u>\$ 9,341,247</u>	<u>\$ 9,479,632</u>	<u>\$ (138,385)</u>	(1.46) %

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. Other revenues, which include classroom materials and fees and transportation fees decreased during 2008. All areas of expenditures decreased from 2007 as a result of staff reductions and spending less in the areas of capital improvements and extracurricular activities.

***Classroom Facilities Fund***

The classroom facilities fund had \$17,597,578 in revenues and other financing sources (primarily due to the Ohio School Facilities Commission project) and \$763,977 in expenditures. At June 30, 2008, the classroom facilities fund had an ending fund balance of \$16,833,601.

***General Fund Budgeting Highlights***

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

During the course of fiscal 2008, the District amended its general fund budget several times. For the general fund, original budgeted revenues were \$9,078,096 and final budgeted revenues were \$9,067,931. Actual revenues for fiscal 2008 were \$9,560,794. This represents a \$492,863 increase from final budgeted revenues.

General fund original appropriations totaled \$9,529,928 and final appropriations totaled 9,700,252. The actual budget basis expenditures for fiscal year 2008 totaled \$9,344,639, which was \$355,613 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
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**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2008, the District had \$2,042,835 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 fiscal 2008 balances compared to 2007:

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

	Governmental Activities	
	2008	2007
Land	\$ 609,600	\$ 609,600
Construction in progress	463,183	-
Land improvements	142,324	152,947
Buildings and improvements	622,995	669,867
Furniture and equipment	84,505	35,277
Vehicles	120,228	160,358
Total	\$ 2,042,835	\$ 1,628,049

The overall increase in capital assets of \$414,786 is the result of depreciation expense of \$118,758, additions of \$70,361, and construction in progress of \$463,183 during fiscal year 2008.

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

*Debt Administration*

At June 30, 2008, the District had \$14,810,729 in general obligation bonds and \$1,189 in capital leases outstanding. Of this total, \$361,189 is due within one year and \$14,450,729 is due within greater than one year. The following table summarizes the bonds and capital leases outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
	General obligation bonds	\$ 14,810,729
Capital leases	1,189	3,889
Total	\$ 14,811,918	\$ 3,889

At June 30, 2008, the District had no remaining voted debt margin and an unvoted debt margin of \$133,875. See Note 10 to the basic financial statements for additional information on the District's debt administration.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED

**Current Related Financial Activities**

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

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

**Contacting the District's Financial Management**

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

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

STATEMENT OF NET ASSETS  
JUNE 30, 2008

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 4,317,414
Investments . . . . .	13,160,141
Receivables:	
Taxes . . . . .	4,603,170
Accounts . . . . .	260
Intergovernmental . . . . .	17,761,384
Accrued interest . . . . .	172,472
Materials and supplies inventory . . . . .	1,250
Unamortized bond issue costs . . . . .	303,121
Capital assets:	
Land . . . . .	609,600
Construction in progress . . . . .	463,183
Depreciable capital assets, net . . . . .	970,052
Capital assets, net. . . . .	<u>2,042,835</u>
 Total assets. . . . .	 <u>42,362,047</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	62,481
Accrued wages and benefits . . . . .	816,611
Pension obligation payable. . . . .	232,630
Intergovernmental payable . . . . .	55,955
Unearned revenue . . . . .	3,875,845
Accrued interest payable. . . . .	144,122
Long-term liabilities:	
Due within one year. . . . .	417,302
Due within more than one year . . . . .	15,452,122
 Total liabilities . . . . .	 <u>21,057,068</u>
<b>Net assets:</b>	
Invested in capital assets, net of related debt. . . . .	2,041,643
Restricted for:	
Capital projects . . . . .	19,706,347
Debt service. . . . .	467,594
Classroom facilities maintenance . . . . .	62,019
State funded programs . . . . .	36,703
Federally funded programs . . . . .	13,107
Unrestricted (deficit) . . . . .	<u>(1,022,434)</u>
 Total net assets . . . . .	 <u>\$ 21,304,979</u>

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, 2008

	Program Revenues			Capital	Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Grants and Contributions	Governmental Activities	
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 5,285,876	\$ 250,264	\$ 126,140	\$ -	\$ (4,909,472)
Special . . . . .	1,290,853	-	823,483	-	(467,370)
Vocational . . . . .	136,589	-	38,803	-	(97,786)
Other . . . . .	4,976	-	5,055	-	79
Support services:					
Pupil . . . . .	459,429	-	-	-	(459,429)
Instructional staff . . . . .	359,137	-	260,793	-	(98,344)
Board of education . . . . .	7,002	-	-	-	(7,002)
Administration . . . . .	884,318	-	63,409	-	(820,909)
Fiscal . . . . .	220,449	-	-	-	(220,449)
Business . . . . .	67,248	-	-	-	(67,248)
Operations and maintenance . . . . .	1,126,712	89,993	-	-	(1,036,719)
Pupil transportation . . . . .	484,700	39	-	6,096	(478,565)
Central . . . . .	1,050	-	-	-	(1,050)
Food service operations . . . . .	482,800	215,136	287,862	-	20,198
Extracurricular activities . . . . .	256,827	68,155	1,399	-	(187,273)
Interest and fiscal charges . . . . .	158,952	-	-	-	(158,952)
Total governmental activities . . . . .	<u>\$ 11,226,918</u>	<u>\$ 623,587</u>	<u>\$ 1,606,944</u>	<u>\$ 6,096</u>	<u>(8,990,291)</u>
<b>General revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					2,936,130
Special revenue . . . . .					29,939
Debt service . . . . .					661,912
Capital projects . . . . .					35,675
Grants and entitlements not restricted to specific programs . . . . .					5,956,588
Grants and entitlements restricted for Ohio School Facilities Commission					20,120,504
Investment earnings . . . . .					200,568
Decrease in FMV of investments . . . . .					(214,811)
Total general revenues . . . . .					<u>29,726,505</u>
<b>Special item:</b>					
Gain on sale of capital assets . . . . .					139,000
Change in net assets . . . . .					20,875,214
Net assets at beginning of year . . . . .					429,765
Net assets at end of year . . . . .					<u>\$ 21,304,979</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	<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 . . . . .	\$ 45,880	\$ 3,537,887	\$ 733,647	\$ 4,317,414
Investments . . . . .	-	13,160,141	-	13,160,141
Receivables:				
Taxes . . . . .	3,583,048	-	1,020,122	4,603,170
Accounts . . . . .	260	-	-	260
Intergovernmental . . . . .	137,051	17,548,903	75,430	17,761,384
Accrued interest . . . . .	-	172,472	-	172,472
Due from other funds . . . . .	-	-	72,978	72,978
Materials and supplies inventory . . . . .	-	-	1,250	1,250
<b>Total assets . . . . .</b>	<b><u>\$ 3,766,239</u></b>	<b><u>\$ 34,419,403</u></b>	<b><u>\$ 1,903,427</u></b>	<b><u>\$ 40,089,069</u></b>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 48,488	\$ -	\$ 13,993	\$ 62,481
Accrued wages and benefits . . . . .	707,286	-	109,325	816,611
Compensated absences payable . . . . .	23,461	-	-	23,461
Pension obligation payable . . . . .	214,262	-	18,368	232,630
Intergovernmental payable . . . . .	47,675	-	8,280	55,955
Due to other funds . . . . .	-	-	72,978	72,978
Deferred revenue . . . . .	630,250	17,585,802	161,983	18,378,035
Unearned revenue . . . . .	3,019,739	-	856,106	3,875,845
<b>Total liabilities . . . . .</b>	<b><u>4,691,161</u></b>	<b><u>17,585,802</u></b>	<b><u>1,241,033</u></b>	<b><u>23,517,996</u></b>
<b>Fund balances:</b>				
Reserved for materials and supplies inventory . . . . .	-	-	1,250	1,250
Reserved for property tax unavailable for appropriation . . . . .	11,374	-	3,312	14,686
Reserved for debt service . . . . .	-	-	459,181	459,181
Unreserved:				
Undesignated (deficit), reported in:				
General fund . . . . .	(936,296)	-	-	(936,296)
Special revenue funds . . . . .	-	-	112,459	112,459
Capital projects funds . . . . .	-	16,833,601	86,192	16,919,793
<b>Total fund balances (deficit) . . . . .</b>	<b><u>(924,922)</u></b>	<b><u>16,833,601</u></b>	<b><u>662,394</u></b>	<b><u>16,571,073</u></b>
<b>Total liabilities and fund balances . . . . .</b>	<b><u>\$ 3,766,239</u></b>	<b><u>\$ 34,419,403</u></b>	<b><u>\$ 1,903,427</u></b>	<b><u>\$ 40,089,069</u></b>

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, 2008

<b>Total governmental fund balances</b>		\$ 16,571,073
<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.		2,042,835
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 712,639	
Intergovernmental receivable	17,628,497	
Accrued interest receivable	36,899	
Total		18,378,035
Unamortized bond issuance costs are not recognized in the funds governmental activities in the statement of net assets.		303,121
Unamortized premiums on bond issuance is not recognized in the funds.		(303,124)
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(144,122)
Long-term liabilities, such as compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(730,921)	
Capital lease obligation	(1,189)	
General obligation bonds	(14,810,729)	
Total		(15,542,839)
<b>Net assets of governmental activities</b>		<b>\$ 21,304,979</b>

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, 2008

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,936,331	\$ -	\$ 580,945	\$ 3,517,276
Tuition . . . . .	195,873	-	-	195,873
Transportation fees . . . . .	39	-	-	39
Earnings on investments . . . . .	26,031	137,638	64	163,733
Charges for services . . . . .	-	-	215,136	215,136
Extracurricular . . . . .	-	-	114,256	114,256
Classroom materials and fees . . . . .	8,255	-	35	8,290
Other local revenues . . . . .	89,993	-	920	90,913
Intergovernmental - State . . . . .	6,294,390	2,559,066	107,569	8,961,025
Intergovernmental - Federal . . . . .	52,863	-	1,046,763	1,099,626
Decrease in FMV of investments . . . . .	-	(214,811)	-	(214,811)
Total revenues . . . . .	<u>9,603,775</u>	<u>2,481,893</u>	<u>2,065,688</u>	<u>14,151,356</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,894,521	-	352,495	5,247,016
Special . . . . .	881,355	-	406,606	1,287,961
Vocational . . . . .	136,589	-	-	136,589
Other . . . . .	-	-	4,976	4,976
Support services:				
Pupil . . . . .	444,453	-	-	444,453
Instructional staff . . . . .	91,615	-	266,432	358,047
Board of education . . . . .	7,002	-	-	7,002
Administration . . . . .	804,657	-	67,483	872,140
Fiscal . . . . .	219,173	-	10,015	229,188
Business . . . . .	59,868	-	-	59,868
Operations and maintenance . . . . .	1,137,509	-	5,546	1,143,055
Pupil transportation . . . . .	460,543	-	-	460,543
Central . . . . .	1,050	-	-	1,050
Food service operations . . . . .	-	-	498,982	498,982
Extracurricular activities . . . . .	185,382	-	70,064	255,446
Facilities acquisition and construction . . . . .	-	459,024	4,159	463,183
Debt service:				
Principal retirement . . . . .	2,700	-	-	2,700
Interest and fiscal charges . . . . .	14,830	-	-	14,830
Bond issuance costs . . . . .	-	304,953	-	304,953
Total expenditures . . . . .	<u>9,341,247</u>	<u>763,977</u>	<u>1,686,758</u>	<u>11,791,982</u>
Excess of revenues over expenditures . . . . .	<u>262,528</u>	<u>1,717,916</u>	<u>378,930</u>	<u>2,359,374</u>
<b>Other financing sources:</b>				
Proceeds from sale of bonds . . . . .	-	14,810,729	-	14,810,729
Premium on sale of bonds . . . . .	-	304,956	-	304,956
Total other financing sources . . . . .	<u>-</u>	<u>15,115,685</u>	<u>-</u>	<u>15,115,685</u>
<b>Special item:</b>				
Gain on sale of capital assets . . . . .	-	-	139,000	139,000
Net change in fund balances . . . . .	262,528	16,833,601	517,930	17,614,059
<b>Fund balances (deficit)</b>				
<b>at beginning of year . . . . .</b>	<u>(1,187,450)</u>	<u>-</u>	<u>144,464</u>	<u>(1,042,986)</u>
<b>Fund balances (deficit) at end of year . . . . .</b>	<u>\$ (924,922)</u>	<u>\$ 16,833,601</u>	<u>\$ 662,394</u>	<u>\$ 16,571,073</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, 2008

<b>Net change in fund balances - total governmental funds</b>	\$	17,614,059
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 533,544	
Current year depreciation	(118,758)	
Total		414,786
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	146,380	
Intergovernmental revenue	17,628,497	
Accrued interest	36,899	
Total		17,811,776
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		2,700
The sale of bonds are recorded as an other financing source in the governmental funds; however, the proceeds increase long-term liabilities on the statement of net assets.		
		(14,810,729)
Premiums on debt issuances are recognized as an other financing source in the governmental funds; however, they are amortized over the life of the issuance in the statement of activities.		
		(304,956)
Bond issuance costs are recognized as expenditures in the governmental funds; however, they are amortized over the life of the issuance in the statement of activities.		
		304,953
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:		
Increase in accrued interest payable	(144,122)	
Amortization of bond premium	1,832	
Amortization of bond issuance costs	(1,832)	
Total		(144,122)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(13,253)
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>20,875,214</b>

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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</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 . . . . .	\$ 2,799,843	\$ 2,796,706	\$ 2,948,770	\$ 152,064
Tuition . . . . .	185,980	185,772	195,873	10,101
Earnings on investments . . . . .	24,716	24,689	26,031	1,342
Classroom materials and fees . . . . .	7,838	7,829	8,255	426
Other local revenues . . . . .	85,448	85,352	89,993	4,641
Intergovernmental - State . . . . .	5,920,723	5,914,091	6,235,654	321,563
Intergovernmental - Federal . . . . .	50,193	50,137	52,863	2,726
Total revenues . . . . .	<u>9,074,741</u>	<u>9,064,576</u>	<u>9,557,439</u>	<u>492,863</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,896,208	4,983,896	4,840,163	143,733
Special . . . . .	880,913	896,690	887,217	9,473
Vocational . . . . .	127,692	129,979	128,753	1,226
Support services:				
Pupil . . . . .	461,579	469,845	449,268	20,577
Instructional staff . . . . .	115,755	117,828	95,315	22,513
Board of education . . . . .	7,296	7,427	6,998	429
Administration . . . . .	813,988	828,566	774,714	53,852
Fiscal . . . . .	239,798	244,092	217,845	26,247
Business . . . . .	66,384	67,573	65,716	1,857
Operations and maintenance . . . . .	1,204,342	1,225,911	1,152,827	73,084
Pupil transportation . . . . .	526,647	536,079	519,673	16,406
Central . . . . .	2,888	2,940	1,050	1,890
Extracurricular activities . . . . .	152,502	155,233	170,907	(15,674)
Debt service:				
Interest and fiscal charges . . . . .	14,360	14,617	14,617	-
Total expenditures . . . . .	<u>9,510,352</u>	<u>9,680,676</u>	<u>9,325,063</u>	<u>355,613</u>
Excess of revenues over (under) expenditures . . . . .	<u>(435,611)</u>	<u>(616,100)</u>	<u>232,376</u>	<u>848,476</u>
<b>Other financing sources (uses):</b>				
Refund of prior year receipt . . . . .	(19,576)	(19,576)	(19,576)	-
Sale of capital assets . . . . .	3,355	3,355	3,355	-
Total other financing sources (uses) . . . . .	<u>(16,221)</u>	<u>(16,221)</u>	<u>(16,221)</u>	<u>-</u>
Net change in fund balance . . . . .	(451,832)	(632,321)	216,155	848,476
<b>Fund deficit at beginning of year . . . . .</b>	(410,873)	(410,873)	(410,873)	-
<b>Prior year encumbrances appropriated . . . . .</b>	240,598	240,598	240,598	-
<b>Fund balance (deficit) at end of year . . . . .</b>	<u>\$ (622,107)</u>	<u>\$ (802,596)</u>	<u>\$ 45,880</u>	<u>\$ 848,476</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2008

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 866	\$ 29,621
Total assets. . . . .	866	\$ 29,621
<b>Liabilities:</b>		
Due to students . . . . .	-	\$ 29,621
Total liabilities . . . . .	-	\$ 29,621
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	866	
Total net assets . . . . .	\$ 866	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<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, 2008

**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 433<sup>rd</sup> largest by enrollment among the 896 public and community school districts in the State. The District employs 71 certified employees and 52 non-certified employees and provides services to 1,191 students and community members. The District is supervised by the Trumbull County Educational Service Center, a separate entity.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

*JOINTLY GOVERNED ORGANIZATION*

Northeast Ohio Management Information Network (NEOMIN)

NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County school districts, and a treasurer from each county who must be employed by a participating school district, the fiscal agent or NEOMIN. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 6000 Youngstown Warren Road, Niles, Ohio 44446.

*PUBLIC ENTITY RISK POOL*

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

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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) for food service and uniform school supplies services; and (d) for grants and other resources whose use is restricted to a particular purpose.

**FIDUCIARY FUNDS**

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

**C. Basis of Presentation and Measurement Focus**

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

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

**D. Basis of Accounting**

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue in the governmental funds.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported 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 2008 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Trumbull County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to 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 2008.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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, 2008, 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 investments" on the basic financial statements.

During fiscal year 2008, investments were limited to 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.

The District has invested funds in STAR Ohio during fiscal year 2008. 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, 2008.

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the general, food service and private-purpose trust funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$26,031, of which the entire amount was assigned from other District funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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.

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

**BROOKFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans and cash deficits are classified as “due to/from other funds”, respectively. 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.

**K. Accrued Liabilities and Long-Term Obligations**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**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.

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

**N. Estimates**

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

**O. Restricted Assets**

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

**P. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements. The District had no transfers during fiscal year 2008.

**Q. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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.

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2008, the District sold a building resulting in a gain on the sale of capital assets. This item will be presented on the financial statements as a special item.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 15) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 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, 2008

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

**B. Deficit Fund Balances**

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Major fund</u>	<u>Deficit</u>
General	\$ 924,922
 <u>Nonmajor funds</u>	
District managed student activity	2,595
Poverty aid	164
Title I	66,997
Drug free schools	1,500
Improving teacher quality	8,422
Miscellaneous federal grants	22,986

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances in the Title I, drug free schools, improving teacher quality and miscellaneous federal grants funds result from negative cash balances at fiscal year-end (see Note 3.C.) and adjustments for accrued liabilities. The deficit fund balances in the district managed student activity and poverty aid funds result from adjustments for accrued liabilities.

**C. Negative Cash Balances**

Contrary to Ohio Revised Code Section 5705.10, the District had the following negative cash balances at June 30, 2008 in the following funds:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Title I	\$ 47,277
Drug free schools	2,163
Improving teacher quality	552
Miscellaneous federal grants	22,986

Contrary to Sections 5705.10(H) and 3315.20 of the Ohio Revised Code, the District had negative cash balance, indicating that revenue from other sources were used to pay obligations of these funds. There were no requests for payment pending at fiscal year-end sufficient to cover the amount of the deficit.

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

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

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, 2008

**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, 2008, the carrying amount of all District deposits was \$4,258,158. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$4,482,734 of the District's bank balance of \$4,683,734 was exposed to custodial risk as discussed below, while \$201,000 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, 2008, 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>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FHLB	\$ 6,540,204	\$ -	\$ 2,191,068	\$ 2,179,386	\$ 2,169,750	\$ -
FNMA	4,373,869	-	-	2,249,500	-	2,124,369
FHLMC	2,246,068	-	-	-	2,246,068	-
STAR Ohio	89,743	89,743	-	-	-	-
Total	<u>\$ 13,249,884</u>	<u>\$ 89,743</u>	<u>\$ 2,191,068</u>	<u>\$ 4,428,886</u>	<u>\$ 4,415,818</u>	<u>\$ 2,124,369</u>

The weighted average maturity of investments is 1.40 years.

*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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

*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, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB	\$ 6,540,204	49.36
FNMA	4,373,869	33.01
FHLMC	2,246,068	16.95
STAR Ohio	89,743	0.68
Total	<u>\$ 13,249,884</u>	<u>100.00</u>

**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, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 4,258,158
Investments	13,249,884
Total	<u>\$ 17,508,042</u>

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 17,477,555
Private-purpose trust fund	866
Agency fund	29,621
Total	<u>\$ 17,508,042</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 5 - INTERFUND TRANSACTIONS**

At June 30, 2008, 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>
Nonmajor governmental funds	Nonmajor governmental funds	\$ 72,978

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, 2008 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.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

**BROOKFIELD LOCAL SCHOOL DISTRICT  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Trumbull County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available as an advanced 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, 2008 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.

The amount available as an advance at June 30, 2008 was \$11,374 in the general fund, \$3,080 in the debt service fund (a nonmajor governmental fund) and \$232 in the permanent improvement fund (a nonmajor governmental fund). These amounts have been recorded as revenue. The amount that was available as an advance at June 30, 2007 was \$23,813 in the general fund and \$609 in the permanent improvement fund (a nonmajor governmental fund).

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 131,039,510	93.55	\$ 130,617,540	97.57
Public utility personal	<u>9,041,849</u>	<u>6.45</u>	<u>3,257,522</u>	<u>2.43</u>
Total	<u>\$ 140,081,359</u>	<u>100.00</u>	<u>\$ 133,875,062</u>	<u>100.00</u>

Tax rate per \$1,000 of  
assessed valuation for:

Operations	\$46.50	\$46.50
Permanent improvements	1.00	1.00
Debt service	-	6.90
Classroom facilities	-	0.50

**BROOKFIELD LOCAL SCHOOL DISTRICT  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2008 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental activities**

Taxes	\$ 4,603,170
Accounts	260
Intergovernmental	17,761,384
Accrued interest	<u>172,472</u>
 Total	 <u>\$ 22,537,286</u>

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

**BROOKFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 8 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2008 is as follows:

	<u>Balance</u> <u>06/30/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/08</u>
<b>Governmental activities</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 609,600	\$ -	\$ -	\$ 609,600
Construction in progress	-	463,183	-	463,183
Total capital assets, not being depreciated	<u>609,600</u>	<u>463,183</u>	<u>-</u>	<u>1,072,783</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	578,432	2,907	(21,204)	560,135
Buildings and improvements	3,503,139	-	(113,908)	3,389,231
Furniture and equipment	758,398	67,454	(2,399)	823,453
Vehicles	<u>1,001,772</u>	<u>-</u>	<u>-</u>	<u>1,001,772</u>
Total capital assets, being depreciated	<u>5,841,741</u>	<u>70,361</u>	<u>(137,511)</u>	<u>5,774,591</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(425,485)	(13,530)	21,204	(417,811)
Buildings and improvements	(2,833,272)	(46,872)	113,908	(2,766,236)
Furniture and equipment	(723,121)	(18,226)	2,399	(738,948)
Vehicles	<u>(841,414)</u>	<u>(40,130)</u>	<u>-</u>	<u>(881,544)</u>
Total accumulated depreciation	<u>(4,823,292)</u>	<u>(118,758)</u>	<u>137,511</u>	<u>(4,804,539)</u>
Governmental activities capital assets, net	<u>\$ 1,628,049</u>	<u>\$ 414,786</u>	<u>\$ -</u>	<u>\$ 2,042,835</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 76,900
<u>Support services:</u>	
Pupil	1,534
Instructional staff	340
Administration	
Fiscal	
Operations and maintenance	777
Pupil transportation	29,800
Extracurricular activities	6,868
Food service operations	<u>2,539</u>
Total depreciation expense	<u>\$ 118,758</u>

**BROOKFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

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

Capital assets consisting of equipment have been capitalized in the amount of \$12,023. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Accumulated depreciation as of June 30, 2008 was \$10,823, leaving a current book value of \$1,200. Principal payments in fiscal year 2008 totaled \$2,700 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, 2008:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 1,213
Total minimum lease payments	1,213
Less: amount representing interest	<u>(24)</u>
Total	<u>\$ 1,189</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 10 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2008, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/07</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/08</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
General obligation bonds					
2008 series issue:					
Current interest bonds					
3.25% - 5.25%	\$ -	\$ 14,595,000	\$ -	\$ 14,595,000	\$ 360,000
Capital appreciation bonds					
4.20% - 4.35%	-	215,729	-	215,729	-
<u>Other Long-Term Obligations:</u>					
Capital lease obligation	3,889	-	(2,700)	1,189	1,189
Compensated absences	<u>751,779</u>	<u>53,720</u>	<u>(51,117)</u>	<u>754,382</u>	<u>56,113</u>
Total governmental activities	<u>\$ 755,668</u>	<u>\$ 14,864,449</u>	<u>\$ (53,817)</u>	15,566,300	<u>\$ 417,302</u>
Unamortized premium on bonds				<u>303,124</u>	
Total on statement of net assets				<u>\$ 15,869,424</u>	

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 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.

- B. 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.

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 debt service fund (a nonmajor governmental fund).

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

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.

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
2009	\$ 360,000	\$ 527,886	\$ 887,886	\$ -	\$ -	\$ -
2010	170,000	697,400	867,400	-	-	-
2011	185,000	691,875	876,875	-	-	-
2012	190,000	685,862	875,862	-	-	-
2013	255,000	679,688	934,688	-	-	-
2014 - 2018	1,210,000	3,263,137	4,473,137	215,729	114,271	330,000
2019 - 2023	2,385,000	2,897,250	5,282,250	-	-	-
2024 - 2028	3,055,000	2,236,750	5,291,750	-	-	-
2029 - 2033	3,910,000	1,386,050	5,296,050	-	-	-
2034 - 2036	2,875,000	307,125	3,182,125	-	-	-
<b>Total</b>	<b>\$ 14,595,000</b>	<b>\$ 13,373,023</b>	<b>\$ 27,968,023</b>	<b>\$ 215,729</b>	<b>\$ 114,271</b>	<b>\$ 330,000</b>

**C. 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, 2008, resulted in no remaining voted debt margin and an unvoted debt margin of \$133,875.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - NOTES PAYABLE**

The tax anticipation notes described below were issued in anticipation of tax revenue for the purpose of paying current expenses of the District through the general fund during fiscal year 2008. These notes were backed by the full faith and credit of the District. The \$350,000 in notes issued during fiscal year 2008 was received into and retired from the debt service fund.

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Notes Outstanding 06/30/07</u>	<u>Issued</u>	<u>Retired</u>	<u>Notes Outstanding 06/30/08</u>
Tax anticipation note	5.61%	11/3/2007	3/31/08	\$ -	\$ 350,000	\$ (350,000)	\$ -

**NOTE 12 - COMPENSATED ABSENCES**

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

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

The classified personnel accumulate vacation based on the following schedules:

<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.

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

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

\$40.00/day	Up to 240 days	30 hours or more per week
\$30.00/day	Up to 240 days	Less than 30 hours per week

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

**NOTE 13 - RISK MANAGEMENT**

**A. General Risk**

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

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

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

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

**B. Workers' Compensation**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool. The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - RISK MANAGEMENT - (Continued)**

**C. Shared Risk Pool**

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

**NOTE 14 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

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 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended 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 to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$113,658, \$121,738 and \$113,658, respectively. 39.49 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System**

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).

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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 2008, 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, 2008, 2007 and 2006 were \$565,136, \$612,048 and \$709,471, respectively; 82.84 percent has been contributed for fiscal year 2008 and 100 percent for the fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$8,898 made by the District and \$12,663 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, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - 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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. 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.

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 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$76,079, \$66,580 and \$59,045, respectively; 39.49 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$8,189, \$8,278 and \$9,046, respectively; 39.49 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System**

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.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)**

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 2008, 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, 2008, 2007, and 2006 were \$43,472, \$47,081 and \$54,575, respectively; 82.84 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

**Net Change in Fund Balance**

	General fund
Budget basis	\$ 216,155
Net adjustment for revenue accruals	46,336
Net adjustment for expenditure accruals	(16,184)
Net adjustment for other sources/uses	16,221
GAAP basis	\$ 262,528

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 17 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**NOTE 18 - STATUTORY RESERVES**

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

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, 2007	\$ 9,642	\$ 236,810
Current year set-aside requirement	207,556	207,556
Current year offsets	-	(14,810,729)
Qualifying disbursements	<u>(260,398)</u>	<u>(90,854)</u>
Total	<u>\$ (43,200)</u>	<u>\$ (14,457,217)</u>
Balance carried forward to FY 2009	<u>\$ (43,200)</u>	<u>\$ (14,366,363)</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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 19 - FINANCIAL CONDITION**

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

**NOTE 20 - SUBSEQUENT EVENTS**

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 liability will be reported in the financial statements beginning with fiscal year ending 2009.

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**BROOKFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY  
FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30 2008**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program		10.550		\$23,976		\$23,976
<i>Child Nutrition Cluster:</i>						
National School Breakfast Program	05PU-2008	10.553	\$54,668		\$54,668	
National School Lunch Program	LLP4-2008	10.555	228,723		228,723	
<i>Subtotal - Child Nutrition Cluster</i>			<u>283,391</u>		<u>283,391</u>	
Total U.S. Department of Agriculture			<u>283,391</u>	<u>23,976</u>	<u>283,391</u>	<u>23,976</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (Title 1 of the ESEA)	C1-S1-06	84.010	(8,003)		46	
	C1-S1-07		40,712		9,344	
	C1-S1-08		317,478		364,755	
<i>Subtotal - CFDA 84.010</i>			<u>350,187</u>		<u>374,145</u>	
<i>Special Education Cluster:</i>						
Special Education Grants to States (IDEA Part B - Title VI)	6B-SF-06	84.027	(22,829)		393	
	6B-SF-07		77,955		6,212	
	6B-SF-08		324,937		310,627	
<i>Subtotal - Special Education Cluster</i>			<u>380,063</u>		<u>317,232</u>	
Drug Free Schools Grant	DR-S1-08	84.186	5,971		6,634	
Innovative Educational Program Strategies - Title V	C2-S1-07	84.298	(74)			
	C2-S1-08		2,166		1,686	
<i>Subtotal - CFDA 84.298</i>			<u>2,092</u>		<u>1,686</u>	
Technology Fund - Title II-D	TJ-S1-05	84.318			2,506	
	TJ-S1-07				347	
	TJ-S1-08		336		11,916	
<i>Subtotal - CFDA 84.318</i>			<u>336</u>		<u>14,769</u>	
Improving Teacher Quality State Grants (Title II-A)	TR-S1-06	84.367	(30,500)			
	TR-S1-07		29,808		22,358	
	TR-S1-08		90,046		90,598	
<i>Subtotal - CFDA 84.367</i>			<u>89,354</u>		<u>112,956</u>	
Total U.S. Department of Education			<u>828,003</u>		<u>827,422</u>	
<b>Totals</b>			<b><u>1,111,394</u></b>	<b><u>23,976</u></b>	<b><u>1,110,813</u></b>	<b><u>23,976</u></b>

*The accompanying notes to the Federal Awards Expenditures 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, 2008**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D – CARRYOVER FUNDS**

Negative receipts are shown in the Title VI-B, CFDA 84.027; Title 1, CFDA 84.010; Innovative Educational Program, CFDA 84.298; and Title II-A, CFDA 84.367. These negative receipts represent monies that were unspent after the initial period of availability. These monies were added to the subsequent fiscal year awards in accordance with allowable carryover provisions.



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brookfield Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 2, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

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

We noted certain internal control matters that we reported to the District's management in a separate letter dated December 2, 2009.

### **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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2008-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 2, 2009.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

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



**Mary Taylor, CPA**  
Auditor of State

December 2, 2009



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of the Brookfield Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2008. 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.

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

As described in Finding 2008-002 in the accompanying schedule of findings and questioned costs, we were not able to obtain sufficient documentation supporting the District's compliance with the requirements of the Child Nutrition Cluster Program regarding eligibility, nor were we able to satisfy ourselves as to the District's compliance with those requirements by other auditing procedures.

In our opinion, except for the effects of such noncompliance, if any, as we might have determined had we been able to examine sufficient evidence regarding the District's compliance with the Child Nutrition Cluster Program eligibility requirements, the District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008.

The results of our auditing procedures also disclosed another instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying schedule of findings and questioned costs as item 2008-003.

In a separate letter to the District's management dated December 2, 2009, we reported another matter related to federal noncompliance not requiring inclusion in this report.

### **Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2008-02 and 2008-003 to be significant deficiencies.

A material weakness is significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider Findings 2008-002 and 2008-003 to be material weaknesses.

The District's responses to the findings we identified are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

Brookfield Local School District  
Trumbull County  
Independent Accountants' Report on Compliance with Requirements  
Applicable to Each Major Federal Program and on Internal Control Over  
Compliance in Accordance with OMB Circular A-133  
Page 3

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

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

**Mary Taylor, CPA**  
Auditor of State

December 2, 2009

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**BROOKFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2008**

**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 other 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>	Yes
<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 other 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>	Qualified, Scope Restriction
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Child Nutrition Cluster – CFDA 10.553 and 10.555 and Special Education Grants to States (IDEA Part B) – CFDA 84.027
<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

**BROOKFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2008  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-001**

**Noncompliance Finding**

**Ohio Revised Code Section 5705.412 Certificate**

**Ohio Rev. Code §5705.412** requires that a certificate signed pursuant to this section must be attached to all appropriation measures, qualifying contracts, and increases during a school year of any wage or salary schedule. Such certificate must certify that the school district has in effect the authorization to levy taxes including the renewal or replacement of existing levies which, when combined with the estimated revenue from all other available sources, are sufficient to provide the operating revenues necessary to enable the district to maintain all personnel and programs for all the days set forth in the adopted school calendars for the current fiscal year and for a number of days in the succeeding fiscal years equal to the number of days instruction was held or is scheduled for the current fiscal year. A certificate attached to any qualifying contract is required to cover the term of the contract. A certificate signed pursuant to this section is required to be signed by the treasurer, superintendent and president of the board of education.

The Auditor of State is responsible for determining compliance with this section. Where it is determined that a school district has not complied with this section, the Auditor of State shall notify the prosecuting attorney for the county, the city director of law, or other chief law officer of the school district.

The Brookfield Local School District failed to prepare or sign any such certificate at the time of the initial appropriation and any subsequent appropriation measures for the collective bargaining contract with the Brookfield Association of School Employees for the period beginning July 1, 2007 through June 30, 2010.

The above stated matter will be referred to the Trumbull County Prosecutor.

**Officials' Response**

The Brookfield School District will follow the Ohio Revised Code concerning all Section 5705.412 certificates and have issued two such certificates on subsequent contracts.

**BROOKFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2008  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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<b>Finding Number</b>	2008-002
<b>CFDA Title and Number</b>	Child Nutrition Cluster – 10.553 and 10.555
<b>Federal Agency</b>	U.S. Department of Agriculture
<b>Pass-Through Agency</b>	Ohio Department of Education

**Disposal of Free and Reduced Price Meal Applications – Eligibility Questioned 100%**

**Significant Deficiency, Material Weakness, Noncompliance Finding**

**Per 7 CFR Part 245.6**, a child's eligibility for free and reduced price meals under the Child Nutrition Cluster Program may be established by the submission of an annual application or statement which furnishes such information as family income and size. The District determines eligibility by verifying and comparing the data reported by the child's household to income eligibility guidelines. Verification is defined as confirmation of eligibility for free and reduced price benefits under the Child Nutrition Cluster Program. The verification shall include confirmation of income eligibility and, at State or local discretion, may also include confirmation of any other information required in the application.

**Ohio Rev. Code Section 149.351(A)** states all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under sections 149.38 to 149.42 of the Revised Code or under the records programs established by the boards of trustees of state-supported institutions of higher education under section 149.33 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

Contrary to Ohio Rev. Code Section 149.351(A), the District's Food Service Director disposed of all free and reduced price meal applications and all inventory reports pertaining to the Child Nutrition Cluster Program. There was no indication that such removal/destruction was in compliance with an adopted records retention schedule or per rules adopted by the Records Commission. Therefore, we were unable to examine the free and reduced price meal applications to determine the District's compliance with 7 CFR Part 245.6.

Under OMB Circular A-87, the Basic Guidelines of Cost Principles, Appendix A, Section C.1.j, reimbursable costs must be documented in order to be allowable. Without adequate documentation to support eligibility of free and reduced price benefits, we must question 100% of the food service reimbursements under the Child Nutrition Cluster Program. The total amount questioned is \$283,391.

We recommend the District maintain all public records in accordance with the Board of Education's record retention policy. Employees should be prohibited from discarding any public record without the consent of management and the Board of Education. Implementation may help the District comply with the Ohio Revised Code and may reduce the possibility of receiving questioned costs on its federal programs in the future.

**BROOKFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2008  
(Continued)**

**Officials' Response and Corrective Action Plan**

The Superintendent and Treasurer will review public records law and requirements as well as the District's records retention policy with appropriate personnel annually and obtain each individual's acknowledgment regarding the proper handling and disposal of District records.

<b>Finding Number</b>	2008-003
<b>CFDA Title and Number</b>	Title 1 Grants to Local Educational Agencies – 84.010
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Disposal of Free and Reduced Price Lunch Applications – Eligibility Questioned 100%**

**Significant Deficiency, Material Weakness, Noncompliance Finding**

Per Title 1, Part A of the ESEA, Sections 1113(a)(1) and 1113(a)(5), a local educational agency (LEA) shall use funds received under this part only in eligible school attendance areas. When determining eligibility, an LEA must select a poverty measure from among the following data sources: (1) the number of children ages 5-17 in poverty counted in the most recent census; (2) the number of children eligible for free and reduced price lunches; (3) the number of children in families receiving TANF; (4) the number of children eligible to receive Medicaid assistance; or (5) a composite of these data sources. The LEA must use that measure consistently across the district to rank all its school attendance areas according to their percentage of poverty.

The District chose the number of children eligible for free and reduced price lunches as their criteria to determine eligibility for their Title 1 Program.

During the fiscal year ending June 30, 2008, the District discarded the free and reduced price lunch applications. Therefore, we were unable to examine them to determine the recipients' eligibility and the related costs' allowability. The Basic Guidelines of the Cost Principles from 2 CFR 225, Appendix A, Section C.1.j. require that, to be an allowable cost, adequate documentation must be kept. Without adequate documentation, we must question all costs charged to the Title 1 Program. The total amount questioned in the Title 1, Local Grants to Local Educational Agencies is \$374,145.

**Officials' Response and Corrective Action Plan**

The Superintendent and Treasurer will review public records law and requirements as well as the District's records retention policy with appropriate personnel annually and obtain each individual's acknowledgment regarding proper handling and disposal of District records.



**Mary Taylor, CPA**  
Auditor of State

**BROOKFIELD LOCAL SCHOOL DISTRICT**  
**TRUMBULL COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**DECEMBER 31, 2009**