



Dave Yost • Auditor of State



**BROOKFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Brookfield Local School District  
Trumbull County  
614 Bedford Road  
Brookfield, Ohio 44403

To The Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brookfield Local School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2011, 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, 2011, 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.

As described in Note 3, during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which resulted in reclassifications to its governmental fund balances.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

March 22, 2012

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(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, 2011. 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 2011 are as follows:

- In total, net assets of governmental activities increased \$402,691 which represents a 1.84% increase from 2010.
- General revenues accounted for \$9,471,960 in revenue or 74.38% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,262,224 or 25.62% of total revenues of \$12,734,184.
- The District had \$12,331,493 in expenses related to governmental activities; \$3,262,224 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$9,471,960 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, bond retirement fund, building fund and classroom facilities fund. The general fund had \$9,258,542 in revenues and \$9,613,365 in expenditures. During fiscal 2011, the general fund's restated fund deficit increased \$354,823 from \$1,008,592 to \$1,363,415.
- The bond retirement fund had \$899,807 in revenues and \$893,847 in expenditures. During fiscal 2011, the bond retirement fund balance increased \$5,960 from a balance of \$519,860 to a balance of \$525,820.
- The building fund had \$14,682 in revenues and \$1,178,113 in expenditures. During fiscal 2011, the building fund balance decreased \$1,163,431 from a balance of \$2,389,561 to a balance of \$1,226,130.
- The classroom facilities fund had \$677,657 in revenues and \$12,663,608 in expenditures. During fiscal 2011, the classroom facilities fund balance decreased \$11,985,951 from a balance of \$16,199,851 to a balance of \$4,213,900.

**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, bond retirement fund, building 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, 2011  
(UNAUDITED)

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

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

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, bond retirement fund, building 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, 2011  
(UNAUDITED)

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-51 of this report.

**The District as a Whole**

The statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets at June 30, 2011 and June 30, 2010.

	<b>Net Assets</b>		
	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>	Percentage <u>Change</u>
<b><u>Assets</u></b>			
Current and other assets	\$ 14,703,691	\$ 28,527,397	(48.46) %
Capital assets, net	<u>29,755,658</u>	<u>15,895,292</u>	87.20 %
Total assets	<u>44,459,349</u>	<u>44,422,689</u>	0.08 %
<b><u>Liabilities</u></b>			
Current liabilities	6,493,848	6,513,019	(0.29) %
Long-term liabilities	<u>15,719,425</u>	<u>16,066,285</u>	(2.16) %
Total liabilities	<u>22,213,273</u>	<u>22,579,304</u>	(1.62) %
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	20,389,943	14,825,049	37.54 %
Restricted	3,378,831	8,321,524	(59.40) %
Unrestricted (deficit)	<u>(1,522,698)</u>	<u>(1,303,188)</u>	(16.84) %
Total net assets	<u>\$ 22,246,076</u>	<u>\$ 21,843,385</u>	1.84 %

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$22,246,076. Of this total, \$3,378,831 is restricted in use.

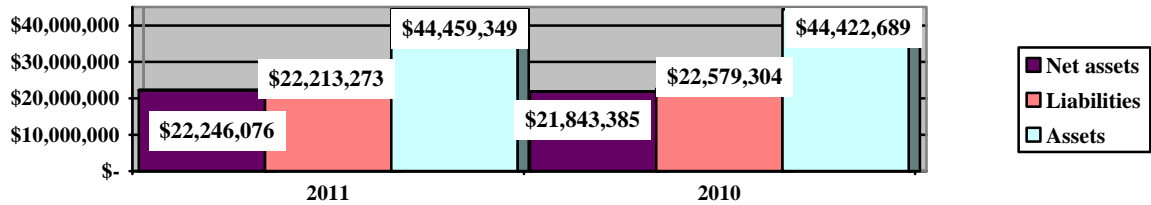
At year-end, capital assets represented 66.93% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$20,389,943. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$3,378,831, represents resources that are subject to external restriction on how they may be used. The remaining balance of net assets is a deficit of \$1,522,698.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

**Governmental Activities**



The table below shows the change in net assets for fiscal years 2011 and 2010.

**Change in Net Assets**

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>	Percentage Change
<b><u>Revenues</u></b>			
Program revenues:			
Charges for services and sales	\$ 759,229	\$ 610,649	24.33 %
Operating grants and contributions	2,488,497	1,738,752	43.12 %
Capital grants and contributions	14,498	15,584	(6.97) %
General revenues:			
Property taxes	3,543,230	3,605,249	(1.72) %
Grants and entitlements	5,868,759	6,437,827	(8.84) %
Investment earnings	45,844	179,878	(74.51) %
Miscellaneous	<u>14,127</u>	<u>27,365</u>	100.00 %
Total revenues	<u>12,734,184</u>	<u>12,615,304</u>	0.94 %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

**Change in Net Assets**

	<u>Governmental Activities 2011</u>	<u>Governmental Activities 2010</u>	<u>Percentage Change</u>
<b><u>Expenses</u></b>			
Program expenses:			
Instruction:			
Regular	\$ 4,987,336	\$ 4,903,059	1.72 %
Special	1,786,098	1,822,755	(2.01) %
Vocational	154,717	143,306	7.96 %
Support services:			
Pupil	523,427	469,640	11.45 %
Instructional staff	440,625	329,388	33.77 %
Board of education	13,737	8,108	69.43 %
Administration	793,316	813,356	(2.46) %
Fiscal	296,827	308,462	(3.77) %
Business	56,522	58,739	(3.77) %
Operations and maintenance	952,826	1,099,864	(13.37) %
Pupil transportation	699,591	616,663	13.45 %
Central	1,954	3,175	(38.46) %
Food service operations	537,540	582,410	(7.70) %
Extracurricular activities	380,725	320,447	18.81 %
Interest and fiscal charges	<u>706,252</u>	<u>709,370</u>	(0.44) %
 Total expenses	 <u>12,331,493</u>	 <u>12,188,742</u>	 (96.88) %
 Change in net assets	 402,691	 426,562	 (5.60) %
 Net assets at beginning of year	 <u>21,843,385</u>	 <u>21,416,823</u>	 1.99 %
 Net assets at end of year	 <u>\$ 22,246,076</u>	 <u>\$ 21,843,385</u>	 1.84 %

**Governmental Activities**

Net assets of the District's governmental activities increased \$402,691. Total governmental expenses of \$12,331,493 were offset by program revenues of \$3,262,224 and general revenues of \$9,471,960. Program revenues supported 26.45% of the total governmental expenses.

In the area of program revenues, the significant increase was in operating grants and contributions which increased \$749,745. This increase is attributable primarily to \$412,624 in funding through the State of Ohio for Pathway for Student Success (PASS) funding which offsets special education costs and \$290,423 in Ed Jobs grant funding from the federal government. PASS funding has been reported as program revenue in fiscal year 2011 versus general revenue in fiscal year 2010.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 73.91% of total governmental revenue.

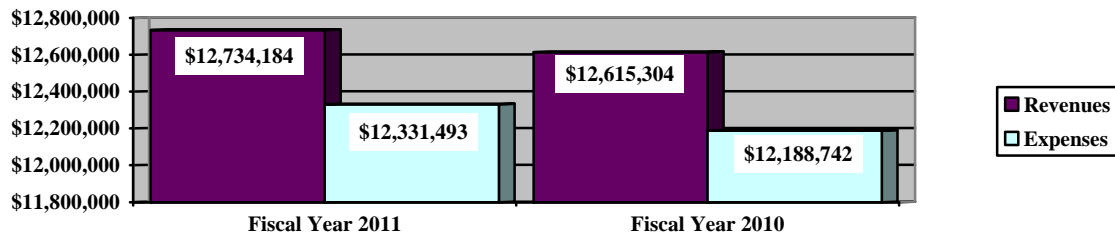
**BROOKFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,928,151 or 56.18% of total governmental expenses for fiscal 2011.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2011 and 2010.

**Governmental Activities - Revenues and Expenses**



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

**Governmental Activities**

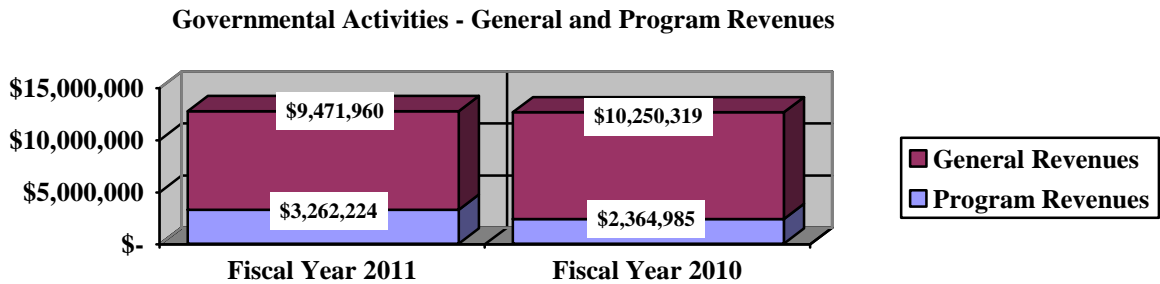
	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
<b>Program expenses</b>				
Instruction:				
Regular	\$ 4,987,336	\$ 4,433,188	\$ 4,903,059	\$ 4,452,001
Special	1,786,098	588,368	1,822,755	987,043
Vocational	154,717	122,246	143,306	111,077
Support services:				
Pupil	523,427	523,427	469,640	469,640
Instructional staff	440,625	62,371	329,388	267,174
Board of education	13,737	13,737	8,108	8,108
Administration	793,316	378,281	813,356	515,487
Fiscal	296,827	296,827	308,462	264,848
Business	56,522	56,522	58,739	58,739
Operations and maintenance	952,826	927,226	1,099,864	1,074,206
Pupil transportation	699,591	657,924	616,663	615,800
Central	1,954	1,954	3,175	3,175
Operations of non-instructional services:				
Food service operations	537,540	17,840	582,410	45,826
Extracurricular activities	380,725	283,106	320,447	241,263
Interest and fiscal charges	706,252	706,252	709,370	709,370
<b>Total expenses</b>	<b>\$ 12,331,493</b>	<b>\$ 9,069,269</b>	<b>\$ 12,188,742</b>	<b>\$ 9,823,757</b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 74.24% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 73.55%. The District's taxpayers, and unrestricted grants and entitlements from the state, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenues for fiscal years 2011 and 2010.



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$4,776,863, which is less than last year's fund balance of \$18,303,986. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010. The District restated fund balance at June 30, 2010 as described in Note 3.B.

	Fund Balance (Deficit) <u>June 30, 2011</u>	Restated Fund Balance (Deficit) <u>June 30, 2010</u>	Increase (Decrease)	Percentage Change
General	\$ (1,363,415)	\$ (1,008,592)	\$ (354,823)	(35.18) %
Bond retirement	525,820	519,860	5,960	1.15
Building	1,226,130	2,389,561	(1,163,431)	(48.69)
Classroom facilities	4,213,900	16,199,851	(11,985,951)	(73.99) %
Other governmental	<u>174,428</u>	<u>203,306</u>	<u>(28,878)</u>	(14.20) %
Total	<u>\$ 4,776,863</u>	<u>\$ 18,303,986</u>	<u>\$ (13,527,123)</u>	(73.90) %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

***General Fund***

The District's general fund deficit balance increased \$354,823. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 2,622,163	\$ 2,688,717	\$ (66,554)	(2.48) %
Tuition	358,845	276,411	82,434	29.82 %
Earnings on investments	2,625	2,826	(201)	(7.11) %
Intergovernmental	6,142,930	6,305,132	(162,202)	(2.57) %
Other revenues	<u>131,979</u>	<u>101,629</u>	<u>30,350</u>	29.86 %
Total	<u>\$ 9,258,542</u>	<u>\$ 9,374,715</u>	<u>\$ (116,173)</u>	(1.24) %
<b><u>Expenditures</u></b>				
Instruction	\$ 6,031,394	\$ 5,869,057	\$ 162,337	2.77 %
Support services	3,271,273	3,205,372	65,901	2.06 %
Extracurricular activities	286,694	263,426	23,268	8.83 %
Debt service	<u>24,004</u>	<u>24,003</u>	<u>1</u>	0.00 %
Total	<u>\$ 9,613,365</u>	<u>\$ 9,361,858</u>	<u>\$ 251,507</u>	2.69 %

The increase in tuition revenue is due to an increase in open enrollment. All expenditures remained consistent with the prior year due to the prudent planning and budgeting of the District.

***Bond Retirement Fund***

The bond retirement fund had \$899,807 in revenues and \$893,847 in expenditures. During fiscal 2011, the bond retirement fund balance increased \$5,960 from a balance of \$519,860 to a balance of \$525,820.

***Building Fund***

The building fund had \$14,682 in revenues and \$1,178,113 in expenditures. During fiscal 2011, the building fund balance decreased \$1,163,431 from a balance of \$2,389,561 to a balance of \$1,226,130.

***Classroom Facilities Fund***

The classroom facilities fund had \$677,657 in revenues and \$12,663,608 in expenditures. During fiscal 2011, the classroom facilities fund balance decreased \$11,985,951 from a balance of \$16,199,851 to a balance of \$4,213,900 due to the District's expenditures for the OSFC construction project.

***General Fund Budgeting Highlights***

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

During the course of fiscal year 2011, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$9,614,308 and final budgeted revenues and other financing sources were \$9,261,188. Actual revenues for fiscal year 2011 were \$9,261,187. This represents a \$1 decrease from final budgeted revenues.

General fund original appropriations totaled \$9,501,456. Final appropriations of \$9,411,376 were \$90,080 less than original appropriations. The actual budget basis expenditures for fiscal year 2011 totaled \$9,411,376, which was the same as final budgeted appropriations.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2011, the District had \$29,442,827 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2011 balances compared to June 30, 2010:

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

	Governmental Activities	
	2011	2010
Land	\$ 1,250,551	\$ 1,250,551
Construction in progress	27,640,890	13,750,546
Land improvements	112,543	126,775
Buildings and improvements	557,644	575,667
Furniture and equipment	158,921	137,686
Vehicles	35,109	54,067
Total	\$ 29,755,658	\$ 15,895,292

The overall increase in capital assets of \$13,860,366 is the result of additions of \$60,418 and construction in progress of \$13,890,344 exceeding depreciation expense of \$90,396 during fiscal year 2011.

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

*Debt Administration*

At June 30, 2011, the District had \$14,127,463 in general obligation bonds and \$52,588 in capital leases outstanding. Of this total, \$210,539 is due within one year and \$13,969,512 is due in greater than one year. The following table summarizes the bonds and capital leases outstanding.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

**Outstanding Debt, at Year End**

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
General obligation bonds	\$ 14,127,463	\$ 14,300,396
Capital leases	<u>52,588</u>	<u>71,553</u>
Total	<u>\$ 14,180,051</u>	<u>\$ 14,371,949</u>

At June 30, 2011, the District had no remaining voted debt margin and an unvoted debt margin of \$130,454. See Note 10 to the basic financial statements for additional information on the District's debt administration.

**Current Related Financial Activities**

The District was declared in Fiscal Watch in February of 2006 and remains in Fiscal Watch. In October of 2010 the District requested from the Ohio Department of Education and the Ohio Auditor of State removal from Fiscal Watch. In fiscal year 2009 and early fiscal year 2010 the District negotiated, settled or otherwise resolved all outstanding legal issues defining the District's limits of liability in these cases. As such, the District projects to meet these obligations and its operating costs under current financial streams. The District's current financial condition continues to improve slowly.

As with most public school districts in Ohio, the District is dependent upon the State of Ohio's foundation payments. Currently the State of Ohio is subsidizing its obligation with Federal Stimulus dollars that expire in fiscal year 2011. The status of how or if the State of Ohio is able to replace that subsidy would have a significant impact upon the District.

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

**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, 614 Bedford Road, Brookfield, Ohio 44403.



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

STATEMENT OF NET ASSETS  
JUNE 30, 2011

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 6,932,801
Cash in segregated accounts . . . . .	451,646
Investments. . . . .	250,088
Receivables:	
Taxes . . . . .	4,479,218
Accounts. . . . .	122
Intergovernmental . . . . .	2,317,414
Accrued interest . . . . .	1,048
Materials and supplies inventory. . . . .	1,200
Unamortized bond issuance costs . . . . .	270,154
Capital assets:	
Land and construction in progress. . . . .	28,891,441
Depreciable capital assets, net. . . . .	864,217
Capital assets, net . . . . .	29,755,658
 Total assets. . . . .	 44,459,349
 <b>Liabilities:</b>	
Accounts payable. . . . .	65,503
Contracts payable. . . . .	859,076
Retainage payable . . . . .	451,646
Accrued wages and benefits . . . . .	990,821
Pension obligation payable. . . . .	247,035
Intergovernmental payable . . . . .	73,854
Unearned revenue . . . . .	3,494,839
Accrued interest payable . . . . .	311,074
Long-term liabilities:	
Due within one year. . . . .	567,217
Due in more than one year. . . . .	15,152,208
 Total liabilities . . . . .	 22,213,273
 <b>Net assets:</b>	
Invested in capital assets, net of related debt. . . . .	20,389,943
Restricted for:	
Capital projects . . . . .	2,356,525
Debt service. . . . .	427,041
Classroom facilities maintenance . . . . .	356,124
State funded programs. . . . .	64
Federally funded programs . . . . .	230,575
Student activities . . . . .	8,502
Unrestricted (deficit) . . . . .	(1,522,698)
 Total net assets . . . . .	 \$ 22,246,076

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, 2011

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 4,987,336	\$ 409,430	\$ 130,220	\$ 14,498	\$ (4,433,188)
Special . . . . .	1,786,098	-	1,197,730	-	(588,368)
Vocational . . . . .	154,717	-	32,471	-	(122,246)
Support services:					
Pupil. . . . .	523,427	-	-	-	(523,427)
Instructional staff . . . . .	440,625	-	378,254	-	(62,371)
Board of education . . . . .	13,737	-	-	-	(13,737)
Administration. . . . .	793,316	-	415,035	-	(378,281)
Fiscal. . . . .	296,827	-	-	-	(296,827)
Business. . . . .	56,522	-	-	-	(56,522)
Operations and maintenance . . . . .	952,826	25,600	-	-	(927,226)
Pupil transportation. . . . .	699,591	41,667	-	-	(657,924)
Central . . . . .	1,954	-	-	-	(1,954)
Food service operations . . . . .	537,540	190,413	329,287	-	(17,840)
Extracurricular activities. . . . .	380,725	92,119	5,500	-	(283,106)
Interest and fiscal charges . . . . .	706,252	-	-	-	(706,252)
<b>Totals . . . . .</b>	<b>\$ 12,331,493</b>	<b>\$ 759,229</b>	<b>\$ 2,488,497</b>	<b>\$ 14,498</b>	<b>(9,069,269)</b>

<b>General revenues:</b>	
Property taxes levied for:	
General purposes . . . . .	2,675,190
Special revenue . . . . .	58,651
Debt service. . . . .	809,389
Grants and entitlements not restricted to specific programs . . . . .	
Investment earnings . . . . .	45,844
Miscellaneous . . . . .	14,127
<b>Total general revenues . . . . .</b>	<b>9,471,960</b>
Change in net assets . . . . .	402,691
<b>Net assets at beginning of year. . . . .</b>	<b>21,843,385</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 22,246,076</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	General	Bond Retirement	Building	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>						
Equity in pooled cash and cash equivalents. . . . .	\$ 60,476	\$ 522,778	\$ 1,578,547	\$ 4,469,423	\$ 301,577	\$ 6,932,801
Cash in segregated accounts . . . . .	-	-	-	451,646	-	451,646
Investments. . . . .	-	-	70,196	179,892	-	250,088
<b>Receivables:</b>						
Taxes . . . . .	3,428,368	979,846	-	-	71,004	4,479,218
Accounts . . . . .	122	-	-	-	-	122
Intergovernmental. . . . .	2,542	-	-	1,967,566	347,306	2,317,414
Accrued interest . . . . .	-	-	230	818	-	1,048
Materials and supplies inventory. . . . .	-	-	-	-	1,200	1,200
Due from other funds . . . . .	-	-	-	-	59,584	59,584
<b>Total assets . . . . .</b>	<b>\$ 3,491,508</b>	<b>\$ 1,502,624</b>	<b>\$ 1,648,973</b>	<b>\$ 7,069,345</b>	<b>\$ 780,671</b>	<b>\$ 14,493,121</b>
<b>Liabilities:</b>						
Accounts payable . . . . .	\$ 62,952	\$ -	\$ -	\$ -	\$ 2,551	\$ 65,503
Contracts payable. . . . .	-	-	422,843	436,233	-	859,076
Retainage payable. . . . .	-	-	-	451,646	-	451,646
Judgements payable . . . . .	129,783	-	-	-	-	129,783
Accrued wages and benefits. . . . .	797,865	-	-	-	192,956	990,821
Compensated absences payable . . . . .	143,829	-	-	-	5,445	149,274
Early retirement incentive payable . . . . .	32,500	-	-	-	-	32,500
Pension obligation payable . . . . .	207,566	-	-	-	39,469	247,035
Intergovernmental payable . . . . .	62,703	-	-	-	11,151	73,854
Deferred revenue . . . . .	742,795	212,295	-	1,967,566	239,687	3,162,343
Unearned revenue. . . . .	2,674,930	764,509	-	-	55,400	3,494,839
Due to other funds . . . . .	-	-	-	-	59,584	59,584
<b>Total liabilities. . . . .</b>	<b>4,854,923</b>	<b>976,804</b>	<b>422,843</b>	<b>2,855,445</b>	<b>606,243</b>	<b>9,716,258</b>
<b>Fund balances:</b>						
Nonspendable:						
Materials and supplies inventory. . . . .	-	-	-	-	1,200	1,200
Restricted:						
Debt service . . . . .	-	525,820	-	-	-	525,820
Capital improvements . . . . .	-	-	1,226,130	4,213,900	1,687	5,441,717
Classroom facilities maintenance . . . . .	-	-	-	-	340,740	340,740
Other purposes. . . . .	-	-	-	-	6,987	6,987
Extracurricular. . . . .	-	-	-	-	8,502	8,502
Assigned:						
Student and staff support. . . . .	19,191	-	-	-	-	19,191
School supplies . . . . .	8,005	-	-	-	-	8,005
Unassigned (deficit) . . . . .	(1,390,611)	-	-	-	(184,688)	(1,575,299)
<b>Total fund balances (deficit) . . . . .</b>	<b>(1,363,415)</b>	<b>525,820</b>	<b>1,226,130</b>	<b>4,213,900</b>	<b>174,428</b>	<b>4,776,863</b>
<b>Total liabilities and fund balances . . . . .</b>	<b>\$ 3,491,508</b>	<b>\$ 1,502,624</b>	<b>\$ 1,648,973</b>	<b>\$ 7,069,345</b>	<b>\$ 780,671</b>	<b>\$ 14,493,121</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, 2011

<b>Total governmental fund balances</b>		\$	4,776,863
<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.			29,755,658
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	970,474	
Intergovernmental receivable		<u>2,191,869</u>	
Total			3,162,343
Unamortized bond issuance costs are not recognized in the funds governmental activities in the statement of net assets.			270,154
Unamortized premiums on bond issuance are not recognized in the funds.			(270,156)
On the statement of net assets interest is accrued on outstanding bonds, whereas in governmental funds, interest is accrued when due.			(311,074)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(805,379)	
Early retirement incentive payable		(22,500)	
Judgments payable		(129,782)	
Capital lease obligation		(52,588)	
General obligation bonds		<u>(14,127,463)</u>	
Total			<u>(15,137,712)</u>
<b>Net assets of governmental activities</b>		<u>\$</u>	<u>22,246,076</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General	Bond Retirement	Building	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
From local sources:						
Taxes . . . . .	\$ 2,622,163	\$ 767,228	\$ -	\$ -	\$ 55,596	\$ 3,444,987
Tuition . . . . .	358,845	-	-	-	-	358,845
Transportation fees . . . . .	41,667	-	-	-	-	41,667
Earnings on investments . . . . .	2,625	-	14,682	46,511	12	63,830
Charges for services . . . . .	-	-	-	-	190,413	190,413
Extracurricular . . . . .	46,393	-	-	-	92,119	138,512
Classroom materials and fees . . . . .	4,192	-	-	-	-	4,192
Other local revenues . . . . .	39,727	-	-	-	5,500	45,227
Intergovernmental - state . . . . .	6,112,673	132,579	-	631,146	72,642	6,949,040
Intergovernmental - federal . . . . .	30,257	-	-	-	1,825,544	1,855,801
Total revenues . . . . .	<u>9,258,542</u>	<u>899,807</u>	<u>14,682</u>	<u>677,657</u>	<u>2,241,826</u>	<u>13,092,514</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular . . . . .	5,001,339	-	-	-	138,182	5,139,521
Special . . . . .	876,302	-	-	-	923,302	1,799,604
Vocational . . . . .	153,753	-	-	-	-	153,753
Support services:						
Pupil . . . . .	552,160	-	-	-	-	552,160
Instructional staff . . . . .	261,989	-	-	-	167,978	429,967
Board of education . . . . .	13,737	-	-	-	-	13,737
Administration . . . . .	389,026	-	-	-	408,305	797,331
Fiscal . . . . .	277,419	16,972	-	-	1,230	295,621
Business . . . . .	36,330	-	-	-	-	36,330
Operations and maintenance . . . . .	1,046,742	-	-	-	6,770	1,053,512
Pupil transportation . . . . .	691,916	-	-	-	3,700	695,616
Central . . . . .	1,954	-	-	-	-	1,954
Food service operations . . . . .	-	-	-	-	529,489	529,489
Extracurricular activities . . . . .	286,694	-	-	-	91,008	377,702
Facilities acquisition and construction . . . . .	-	-	1,178,113	12,663,608	740	13,842,461
Debt service:						
Principal retirement . . . . .	18,965	185,000	-	-	-	203,965
Interest and fiscal charges . . . . .	5,039	691,875	-	-	-	696,914
Total expenditures . . . . .	<u>9,613,365</u>	<u>893,847</u>	<u>1,178,113</u>	<u>12,663,608</u>	<u>2,270,704</u>	<u>26,619,637</u>
Net change in fund balances . . . . .	(354,823)	5,960	(1,163,431)	(11,985,951)	(28,878)	(13,527,123)
<b>Fund balances (deficit) at beginning of year (restated).</b>	(1,008,592)	519,860	2,389,561	16,199,851	203,306	18,303,986
<b>Fund balances (deficit) at end of year.</b>	<u>\$ (1,363,415)</u>	<u>\$ 525,820</u>	<u>\$ 1,226,130</u>	<u>\$ 4,213,900</u>	<u>\$ 174,428</u>	<u>\$ 4,776,863</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, 2011

**Net change in fund balances - total governmental funds** \$ (13,527,123)

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

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

Capital asset additions	\$ 13,950,762	
Current year depreciation	(90,396)	

Total		13,860,366
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes	98,243	
Intergovernmental revenue	(438,599)	
Accrued interest	(17,974)	

Total		(358,330)
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Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		203,965
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due. The following items resulted in additional interest being recorded in the statement of activities:

Decrease in accrued interest payable	2,728	
Accreted interest on capital appreciation bonds	(12,067)	
Amortization of bond premium	10,990	
Amortization of bond issuance costs	(10,989)	

Total		(9,338)
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Some expenses reported in the statement of activities, such as compensated absences judgments payable and early retirement incentives, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

233,151

<b>Change in net assets of governmental activities</b>		<b><u>\$ 402,691</u></b>
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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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,740,927	\$ 2,651,147	\$ 2,651,147	\$ -
Tuition. . . . .	285,089	358,845	358,845	-
Transportation fees. . . . .	918	41,746	41,746	-
Earnings on investments . . . . .	3,055	2,741	2,741	-
Classroom materials and fees . . . . .	7,826	4,192	4,192	-
Other local revenues . . . . .	54,687	37,165	37,164	(1)
Intergovernmental - state . . . . .	6,460,552	6,112,673	6,112,673	-
Intergovernmental - federal . . . . .	39,375	30,800	30,800	-
<b>Total revenues . . . . .</b>	<u>9,592,429</u>	<u>9,239,309</u>	<u>9,239,308</u>	<u>(1)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,921,623	4,872,648	4,872,648	-
Special. . . . .	923,254	876,230	876,230	-
Vocational. . . . .	149,246	152,423	152,423	-
Support services:				
Pupil. . . . .	522,019	546,478	546,478	-
Instructional staff . . . . .	230,464	233,210	233,210	-
Board of education . . . . .	10,850	13,081	13,081	-
Administration. . . . .	468,631	386,398	386,398	-
Fiscal . . . . .	264,484	274,341	274,341	-
Business . . . . .	61,006	58,198	58,198	-
Operations and maintenance. . . . .	1,060,411	1,046,311	1,046,311	-
Pupil transportation . . . . .	634,843	684,972	684,972	-
Central. . . . .	2,503	1,894	1,894	-
Extracurricular activities. . . . .	252,122	265,192	265,192	-
<b>Total expenditures . . . . .</b>	<u>9,501,456</u>	<u>9,411,376</u>	<u>9,411,376</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>90,973</u>	<u>(172,067)</u>	<u>(172,068)</u>	<u>(1)</u>
<b>Other financing sources:</b>				
Refund of prior year's expenditures . . . . .	21,754	21,754	21,754	-
Sale of capital assets . . . . .	125	125	125	-
<b>Total other financing sources . . . . .</b>	<u>21,879</u>	<u>21,879</u>	<u>21,879</u>	<u>-</u>
Net change in fund balance . . . . .	112,852	(150,188)	(150,189)	(1)
<b>Fund balance at beginning of year . . . . .</b>	<u>182,390</u>	<u>182,390</u>	<u>182,390</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 295,242</u>	<u>\$ 32,202</u>	<u>\$ 32,201</u>	<u>\$ (1)</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, 2011

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 3,420	\$ 28,213
Total assets. . . . .	3,420	\$ 28,213
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 130
Due to students. . . . .	-	28,083
Total liabilities . . . . .	-	\$ 28,213
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	3,420	
Total net assets . . . . .	\$ 3,420	

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, 2011

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Gifts and contributions. . . . .	\$ 7,777
Total additions. . . . .	7,777
<b>Deductions:</b>	
Scholarships awarded . . . . .	5,223
Change in net assets. . . . .	2,554
<b>Net assets at beginning of year . . . . .</b>	<b>866</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 3,420</b>

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, 2011

**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 918 public and community school districts in the State. The District employs 74 certified employees and 71 non-certified employees and provides services to 1,184 students and community members. The District is supervised by the Trumbull County Educational Service Center, a separate entity.

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

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

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental activities provided they conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

*JOINTLY GOVERNED ORGANIZATION*

Northeast Ohio Management Information Network (NEOMIN)

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

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

*PUBLIC ENTITY RISK POOLS*

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

The Plan's business and affairs are conducted by a five member Board of Directors consisting of three elected assembly members and two at-large members selected by the Board of Directors. The Chairman of the OSC, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

Trumbull County Schools Employee Insurance Benefit Consortium Association

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

**B. Fund Accounting**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

*GOVERNMENTAL FUNDS*

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

The following are the District's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported 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.

Bond retirement fund - The bond retirement fund is used to account for the accumulation of restricted resources and payment of general obligation bond and note principal, interest and related costs.

Building fund - This fund is used to account for monies received and expended in connection with the renovation and construction of District buildings.

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 that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition of construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

*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.

**BROOKFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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.

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

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

**D. Basis of Accounting**

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

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

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

**BROOKFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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.

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue on the governmental fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2011 are recorded as deferred revenue.

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

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

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds except agency funds. The specific timetable for fiscal year 2011 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Trumbull County Budget Commission for tax rate determination.

**BROOKFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2011.
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, 2011 however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

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

During fiscal year 2011, investments were limited to negotiable certificates of deposit and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices.



**BROOKFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

The District has invested funds in STAR Ohio during fiscal year 2011. 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, 2011.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the general, food service and private-purpose trust funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$2,625, of which \$2,246 was assigned from other District funds.

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

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

**G. Inventory**

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

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

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

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,500. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**BROOKFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

<u>Description</u>	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

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans to account for negative cash balances are classified as “due to/from other funds”. These amounts are eliminated in the governmental activities column on the statement of net assets.

**J. Compensated Absences**

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

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

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

**L. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**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. No net assets were restricted for other purposes during fiscal year 2011.

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. 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 2011.

**P. Bond Issuance Costs/Premiums**

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

**B. Fund Reclassifications**

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	General	Classroom Facilities	Nonmajor Governmental	Total Governmental
Fund balance (deficit) as previously reported	\$ (1,040,728)	\$ 16,199,851	\$ 3,144,863	\$ 18,303,986
Fund reclassifications:				
Uniform school supplies fund	8,005	-	(8,005)	-
Public school support fund	24,131	-	(24,131)	-
Total fund reclassifications	32,136	-	(32,136)	-
Restated fund balance (deficit) at July 1, 2010	\$ (1,008,592)	\$ 16,199,851	\$ 3,112,727	\$ 18,303,986

The fund reclassifications did not have an effect on net assets as previously reported.

**BROOKFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

**C. Deficit Fund Balances**

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Major fund</u>	
General	1,363,415
<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 24,062
Ohio reads	2,604
Ract to the top	651
IDEA Part-B	80,885
Title I - disadvantaged children	64,324
Improving teacher quality	10,962

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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;

**BROOKFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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.

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. Cash in Segregated Accounts**

At fiscal year end \$451,646 was maintained in a depository account the District established for funds related to retainage set-aside for construction projects. This depository account is not included in total amount of "Deposits with Financial Institutions" below.

**B. Deposits with Financial Institutions**

At June 30, 2011, the carrying amount of all District deposits was \$6,493,367. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$6,278,727 of the District's bank balance of \$6,779,572 was exposed to custodial risk as discussed below, while \$500,845 was covered by the FDIC.

**BROOKFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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.

**C. Investments**

As of June 30, 2011, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Negotiable CD's	\$ 250,088	\$ 250,088
STAR Ohio	<u>471,067</u>	<u>471,067</u>
Total	<u>\$ 721,155</u>	<u>\$ 721,155</u>

The weighted average maturity of investments is 0.03 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.

*Credit Risk:* Standard & Poor’s has assigned STAR Ohio an AAAM money market rating. The negotiable CD’s were not rated. 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 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.



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*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, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Negotiable CD's	\$ 250,088	34.68
STAR Ohio	<u>471,067</u>	<u>65.32</u>
Total	<u>\$ 721,155</u>	<u>100.00</u>

**D. 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, 2011:

<u>Cash and investments per note</u>		
Carrying amount of deposits	\$ 6,493,367	
Cash in segregated accounts	451,646	
Investments	<u>721,155</u>	
Total	<u>\$ 7,666,168</u>	
 <u>Cash and investments per statement of net assets</u>		
Governmental activities	\$ 7,634,535	
Private-purpose trust fund	3,420	
Agency fund	<u>28,213</u>	
Total	<u>\$ 7,666,168</u>	

**NOTE 5 - INTERFUND TRANSACTIONS**

At June 30, 2011, 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	<u>\$ 59,584</u>

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, 2011 are reported on the statement of net assets.

**BROOKFIELD LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**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 property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

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, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$10,643 in the general fund, \$3,042 in the bond retirement fund and \$220 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$39,627 in the general fund, \$9,774 in the bond retirement fund and \$708 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 121,903,970	93.09	\$ 121,628,670	93.24
Public utility personal	8,853,520	6.76	8,825,120	6.76
Tangible personal property	<u>198,885</u>	<u>0.15</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 130,956,375</u></b>	<b><u>100.00</u></b>	<b><u>\$ 130,453,790</u></b>	<b><u>100.00</u></b>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$44.10		\$44.10	
Debt service	6.90		6.90	
Classroom facilities	0.50		0.50	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2011 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	\$ 4,479,218
Accounts	122
Intergovernmental	2,317,414
Accrued interest	<u>1,048</u>
<b>Total</b>	<b><u>\$ 6,797,802</u></b>

Receivables have been disaggregated on the face of the basic financial statements. The intergovernmental receivable in the amount of \$1,967,566 reported in the classroom facilities fund is expected to be collected over the length of the project as the Ohio Schools Facilities Commission construction project is completed. All other receivables are expected to be collected in the subsequent year.

**BROOKFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 8 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2011 is as follows:

	<u>Balance</u> <u>06/30/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/11</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,250,551	\$ -	\$ -	\$ 1,250,551
Construction in progress	<u>13,750,546</u>	<u>13,890,344</u>	<u>-</u>	<u>27,640,890</u>
Total capital assets, not being depreciated	<u>15,001,097</u>	<u>13,890,344</u>	<u>-</u>	<u>28,891,441</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	572,735	-	-	572,735
Buildings and improvements	3,389,231	-	-	3,389,231
Furniture and equipment	944,305	56,718	-	1,001,023
Vehicles	<u>997,272</u>	<u>3,700</u>	<u>-</u>	<u>1,000,972</u>
Total capital assets, being depreciated	<u>5,903,543</u>	<u>60,418</u>	<u>-</u>	<u>5,963,961</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(445,960)	(14,232)	-	(460,192)
Buildings and improvements	(2,813,564)	(18,023)	-	(2,831,587)
Furniture and equipment	(806,619)	(35,483)	-	(842,102)
Vehicles	<u>(943,205)</u>	<u>(22,658)</u>	<u>-</u>	<u>(965,863)</u>
Total accumulated depreciation	<u>(5,009,348)</u>	<u>(90,396)</u>	<u>-</u>	<u>(5,099,744)</u>
Governmental activities capital assets, net	<u>\$ 15,895,292</u>	<u>\$ 13,860,366</u>	<u>\$ -</u>	<u>\$ 29,755,658</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 46,890
<u>Support services:</u>	
Pupil	698
Business	19,592
Operations and maintenance	1,085
Pupil transportation	12,328
Extracurricular activities	5,982
Food service operations	<u>3,821</u>
Total depreciation expense	<u>\$ 90,396</u>

**BROOKFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

Capital assets consisting of equipment have been capitalized in the amount of \$97,959. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Accumulated depreciation as of June 30, 2011 was \$48,980, leaving a current book value of \$48,979. Principal payments in fiscal year 2011 totaled \$18,965 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, 2011:

<u>Fiscal Year Ending June 30.</u>	<u>Amount</u>
2012	\$ 24,004
2013	24,004
2014	<u>10,002</u>
Total minimum lease payments	58,010
Less: amount representing interest	<u>(5,422)</u>
Total	<u>\$ 52,588</u>

**BROOKFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 10 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2011, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/10</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/11</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
<u>General obligation bonds</u>					
<u>2008 series issue:</u>					
G.O. bonds payable - 2008 3.25% - 5.25%	\$ 14,065,000	\$ -	\$ (185,000)	\$ 13,880,000	\$ 190,000
G.O. bonds payable - CAB 4.20% - 4.35%	215,729	-	-	215,729	-
Accreted interest on CABs	19,667	12,067	-	31,734	-
<u>Other long-term obligations:</u>					
Capital lease obligation	71,553	-	(18,965)	52,588	20,539
Early retirement incentive	67,500	10,000	(22,500)	55,000	32,500
Judgments payable	389,348	-	(129,783)	259,565	129,783
Compensated absences	<u>956,342</u>	<u>95,707</u>	<u>(97,396)</u>	<u>954,653</u>	<u>194,395</u>
Total governmental activities	<u>\$ 15,785,139</u>	<u>\$ 117,774</u>	<u>\$ (453,644)</u>	15,449,269	<u>\$ 567,217</u>
Unamortized premium on bonds				<u>270,156</u>	
Total on statement of net assets				<u>\$ 15,719,425</u>	

**B. General Obligation Bonds**

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

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

This issue is comprised of both current interest bonds, par value \$14,595,000 and capital appreciation bonds, par value \$215,729. The interest rates on the current interest bonds range from 3.25 to 5.25%. The capital appreciation bonds mature on January 15, 2016 (effective interest 5.304%) and January 15, 2017 (effective interest 4.99%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$330,000. A total of \$31,734 in accreted interest has been included in the statement of net assets at June 30, 2011.

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

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

As of fiscal year end, \$5,052,758 of the bond proceeds was unspent.

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

Fiscal Year Ending,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 190,000	\$ 685,862	\$ 875,862	\$ -	\$ -	\$ -
2013	255,000	679,688	934,688	-	-	-
2014	270,000	670,762	940,762	-	-	-
2015	280,000	661,313	941,313	-	-	-
2016	245,000	650,812	895,812	49,999	25,001	75,000
2017 - 2021	1,770,000	3,089,050	4,859,050	165,730	89,270	255,000
2022 - 2026	2,770,000	2,520,500	5,290,500	-	-	-
2027 - 2031	3,540,000	1,755,000	5,295,000	-	-	-
2032 - 2036	<u>4,560,000</u>	<u>742,875</u>	<u>5,302,875</u>	-	-	-
Total	<u>\$ 13,880,000</u>	<u>\$ 11,455,862</u>	<u>\$ 25,335,862</u>	<u>\$ 215,729</u>	<u>\$ 114,271</u>	<u>\$ 330,000</u>

**C. Judgments Payable**

On December 4, 2008, the District filed an administrative appeal in the Trumbull County Court of Common Pleas seeking to vacate an adverse decision by the State Employment Relations Board (SERB). Pursuant to a judgment entry by the Court on June 3, 2009, the Board incurred an obligation to certain bargaining unit members in the amount of \$554,528. The District has paid \$129,783 during fiscal year 2011 and has accrued the remaining \$259,565 due in two equal annual installments. The current liability has been reflected as judgments payable in the general fund.

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

**D. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2011, resulted in no remaining voted debt margin and an unvoted debt margin of \$130,454. The District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation because it has been designated a "special needs" school district as permitted by Ohio Revised Code Section 133.06(E).

**NOTE 11 - COMPENSATED ABSENCES**

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

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

The classified personnel accumulate vacation based on the following schedules:

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

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for classified employees is 355 days. Maximum sick leave accumulation for certified employees is 365 days.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 11 - COMPENSATED ABSENCES - (Continued)**

Classified employees must have been employed under contract for ten or more years or be 60 years of age with 5 years of service in the District to receive severance pay. Severance is calculated according to the following schedule:

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

Certified employees receive severance pay in accordance with the following formula: salary divided by one hundred, 183 times 1/4 of accumulated unused sick leave to a maximum of 60 days.

The District provided an early retirement incentive plan for State Teacher's Retirement System of Ohio (STRS Ohio) employees who are eligible for retirement under STRS Ohio guidelines and retire effective at the end of the fiscal year 2011 school year. This was a one time opportunity for those eligible in fiscal year 2010. Employees who enrolled in the early retirement incentive plan submitted written notification to the Board on or before May 1, 2011. The early retirement incentive buyout amounts are paid September 1, 2011. Two employees took advantage of the early retirement incentive in fiscal year 2010.

**NOTE 12 - RISK MANAGEMENT**

**A. General Risk**

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

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

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

The District maintains replacement cost insurance on buildings and contents in the amount of \$32,214,880.

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

**B. Workers' Compensation**

The District participates in the Ohio Schools Council Workers' Compensation Retro Group Rated Plan (the "Plan"), an insurance purchasing pool. The Plan's business and affairs are conducted by a five member Board of Directors consisting of the three elected member of the assembly and two at-large members appointed by the Board of Directors (OSC). The Chairman of the OSC, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**BROOKFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 12 - RISK MANAGEMENT - (Continued)**

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

**C. Shared Risk Pool**

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

**NOTE 13 - PENSION PLANS**

**A. School Employees Retirement System**

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

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 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$159,028, \$156,600 and \$109,321, respectively; 53.18 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**BROOKFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

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 2011, 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, 2011, 2010 and 2009 were \$609,790, \$586,598 and \$559,253 respectively; 82.03 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$16,579 made by the District and \$11,842 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, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "*Media/Financial Reports*".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010 and 2009 were \$38,137, \$23,779 and \$73,120, respectively; 53.18 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$10,234, \$9,313 and \$9,020, respectively; 53.18 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, 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, 2011, 2010 and 2009 were \$46,907, \$45,123 and \$43,019, respectively; 82.03 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

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 assigned or committed 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); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

<b>Net Change in Fund Balance</b>	<u>General fund</u>
Budget basis	\$ (150,189)
Net adjustment for revenue accruals	(29,597)
Net adjustment for expenditure accruals	(148,218)
Net adjustment for other sources/uses	(21,879)
Funds budgeted elsewhere	<u>(4,940)</u>
GAAP basis	<u>\$ (354,823)</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund and the public school support fund.

**NOTE 16 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is a defendant in a legal proceeding pertaining to matters which are incidental to performing routine governmental and other functions. Based on the status of this legal proceeding, it is the opinion of management that the ultimate resolution of such will not have a material effect on the District's financial statements. During fiscal year 2009, the District received an adverse judgment resulting in a liability for the District. See note 10 for detail on judgments against the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 17 - SET-ASIDES**

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 fiscal 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 fiscal year-end set-aside amounts for textbooks and capital improvements. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance June 30, 2010	\$ -	\$ -
Current year set-aside requirement	178,255	178,255
Current year qualifying expenditures	(177,426)	(535,713)
Excess qualified expenditures from prior years	(4,553)	-
Current year offsets	<u>-</u>	<u>(94,429)</u>
Total	<u>\$ (3,724)</u>	<u>\$ (451,887)</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside balance June 30, 2011	<u>\$ -</u>	<u>\$ -</u>

The District had qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amount to below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This negative balance is therefore not being presented as being carried forward to the future fiscal year. Although the District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years.

**NOTE 18 - FINANCIAL CONDITION**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 19 - CONTRACTUAL COMMITMENTS**

As of June 30, 2011, the District has commitments with the following companies for the construction project.

	Contract Amount	Amount Paid as of June 30, 2011	Amount Remaining on Contract
Balog, Steines, Hendricks & Manchester	\$ 1,600,766	\$ 1,520,728	\$ 80,038
Four Seasons Environmental, Inc.	55,873	36,860	19,013
Hudson Construction, Inc.	15,875,733	15,164,910	710,823
Komar Plumbing Company, Inc.	1,106,783	1,080,953	25,830
SA Communale Company, Inc.	223,500	203,875	19,625
WT Tri Area Electric Company	3,565,039	3,489,591	75,448
York Mahoning Mechical Contractors	2,974,471	2,906,340	68,131
Miller-Yount Paving, Inc.	731,000	120,903	610,097
Southeast Security Corporation	856,025	769,214	86,811
Total	\$ 26,989,190	\$ 25,293,374	\$ 1,695,816

These contractual commitments relate to the OSFC project undertaken by the District. In addition to the amounts paid above, the District has recorded contracts payable in the amounts of \$859,076 for costs incurred prior to fiscal year end on the OSFC project. Costs incurred by fiscal year end (including contracts payable) have been recorded as construction-in-progress in the District's capital assets (See Note 8).



**BROOKFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY  
FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through The Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	n/a	10.553	\$ 61,722	\$ -	\$ 61,722	\$ -
National School Lunch Program	n/a	10.555	230,952	\$27,124	230,952	\$27,124
<b>Total -- Nutrition Cluster</b>			292,674	27,124	292,674	27,124
<b>Total U.S. Department of Agriculture</b>			292,674	27,124	292,674	27,124
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through The Ohio Department of Education.</i>						
<i>Title One Cluster:</i>						
<i>Grants to Local Educational Agencies</i>						
Title I School Subsidy	2009	84.010	-		3,991	
	2010		92,316		93,406	
	2011		298,733		321,653	
ARRA Title I School Subsidy	ARRA 2010	84.389	18,254		19,230	
	ARRA 2011		98,052		98,052	
<b>Total -- Title I Cluster</b>			<b>507,356</b>		<b>536,332</b>	
<i>Special Education Grants to States - (IDEA Part B)</i>						
<i>Special Education Cluster:</i>						
Title VI-B	2010	84.027	31,185		30,874	
	2011		238,931		260,670	
ARRA Title VI-b	ARRA 2010	84.391	29,015		28,110	
	ARRA 2011		155,242		155,242	
<b>Total -- Special Education Cluster Cluster</b>			454,373		474,896	
Education Jobs Fund	DR-S1-2009	84.410	78,859		70,234	
Title II-D -- Technology Literacy Challenge Fund Grants	2011	84.318	1,141		1,141	
ARRA - Race-to-the-Top Incentive Grants	2011	84.395	3,552		2,864	
Title II, Part A -- Improving Teacher Quality	2010	84.367	14,606		15,991	
	2011		81,101		82,251	
<b>Total - Title II Part A</b>			95,706		98,242	
ARRA State Fiscal Stabilization Fund	2011	84.394	410,310		410,310	
<b>Total -- U.S. Department of Education</b>			1,551,298		1,594,019	
<b>Totals</b>			<b>\$ 1,843,972</b>	<b>\$ 27,124</b>	<b>\$ 1,886,693</b>	<b>\$ 27,124</b>

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

**BROOKFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - MATCHING REQUIREMENTS**

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



# Dave Yost • Auditor of State

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

Brookfield Local School District  
Trumbull County  
614 Bedford Road  
Brookfield, Ohio 44403

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brookfield Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 22, 2012, wherein we noted the District adopted Governmental Accounting Standards Board Statement No. 54 (GASB 54). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-01 described in the accompanying schedule of findings to be a material weakness.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-01 and 2011-02.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 22, 2012.

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

March 22, 2012



# Dave Yost • Auditor of State

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

Brookfield Local School District  
Trumbull County  
614 Bedford Road  
Brookfield, Ohio 44403

To The Board of Education:

### Compliance

We have audited the compliance of Brookfield Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Brookfield Local School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Brookfield Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2011.

### 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 opining on compliance and to test and report on internal control over compliance, in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

We noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated March 22, 2012.

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



**Dave Yost**  
Auditor of State

March 22, 2012

**BROOKFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2011-01**

**Noncompliance and Material Weakness**

**Ohio Administrative Code Chapter 117-2 provides that** all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories.

**FINDING NUMBER 2011-01  
(Continued)**

“Internal control” means a process effected by an entity’s governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives for reliability of financial reporting;

The control over the review of transactions due and payable at June 30, 2011 failed to identify a material transaction of \$312,831 in the calculation of contracts payable in the Building Fund (004). When this was brought to the District’s attention, they corrected the financial statements to include this amount as a contract payable.

We recommend the District improve its control procedure to insure all invoices dated prior to year end are included as payables in the District financial statements.

**Officials’ Response:** The District will implement an additional level of oversight to ensure that such transactions are included in the District’s financials.

**FINDING NUMBER 2011-02**

**Noncompliance - Finding for Recovery**

In July 2010, the District discovered that the Transportation Director, Mr. Frank H. Baker, had improperly taken and disposed of scrap items, metals and an inoperable 1979 Ford Station Wagon belonging to the District. Mr. Baker sold these items to a scrap dealer for \$707. On October 15, 2010, the District received \$430 from Mr. Baker as restitution for the missing scrap and car. Subsequently, Mr. Baker resigned his position as Transportation Supervisor with the District on November 16, 2010.

In accordance with the foregoing facts, and pursuant to Ohio Revised Section 117.28, a Finding for Recovery for public property that has been converted to cash is hereby issued against Mr. Baker, and in favor of the Brookfield Local School District, in the amount of \$707, of which \$430 had been repaid under audit leaving unpaid a finding for recovery of \$277.

**Officials’ Response:** While the primary focus at the time was protecting the remaining assets available to Mr. Baker and the employment/dismissal of his service with the District, attempts at determining amounts and collecting monies due the District were undertaken and partial recovery was made. Once again, the District will renew its attempts at recovering the additional funds from Mr. Baker and the Auditor’s opinion will only strengthen the District’s case for collection.





# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Brookfield Local School District  
Trumbull County  
614 Bedford Road  
Brookfield, Ohio 44403

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Brookfield Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on September 21, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

March 22, 2012

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# Dave Yost • Auditor of State

**BROOKFIELD LOCAL SCHOOL DISTRICT**

**TRUMBULL COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 12, 2012**