



**Auditor of State
Betty Montgomery**

**Brookfield Local School District
Trumbull County, Ohio**

**Financial Forecast
For the Fiscal Year Ending June 30, 2006**

Local Government Services Section

Brookfield Local School District
Trumbull County

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**Auditor of State
Betty Montgomery**

Board of Education
Brookfield Local School District
7000 Grove Street
Brookfield, Ohio 44403

CERTIFICATION

Certification is hereby made that, based upon the requirement set forth in Section 3316.03, Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the financial forecast of the general fund of the Brookfield Local School District, Trumbull County, Ohio, and issued a report dated April 11, 2006. The forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecast reflects an operating deficit for the fiscal year ending June 30, 2006 of \$670,000 after meeting the required reserves for textbooks and capital improvements.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2007 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. The forecasted operating deficit may be reduced to the extent tax advances are received prior to June 30, 2006 and to the extent the Board appropriates such advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2006.

A handwritten signature in black ink that reads "Peter R. Sorem".

Peter R. Sorem
Chief of Local Government Services

May 31, 2006



**Auditor of State
Betty Montgomery**

Board of Education
Brookfield Local School District
7000 Grove Street
Brookfield, Ohio 44403

Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the Bristol Local School District for the fiscal year ending June 30, 2006. The Brookfield Local School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for the Board's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying statement of revenues, expenditures and changes in fund balance of the general fund of Brookfield Local School District for the fiscal years ended June 30, 2003, 2004 and 2005 were compiled by us in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed this financial information, and, accordingly, do not express an opinion or any other form of assurance on them.

Betty Montgomery

Betty Montgomery
Auditor of State

April 11, 2006

BROOKFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 THROUGH 2005 ACTUAL;
FOR THE FISCAL YEAR ENDING JUNE 30, 2006 FORECASTED
GENERAL FUND

	Fiscal Year 2003 Actual	Fiscal Year 2004 Actual	Fiscal Year 2005 Actual	Fiscal Year 2006 Forecasted
Revenues				
General Property Taxes	\$2,575,000	\$2,619,000	\$2,750,000	\$2,715,000
Tangible Personal Property Taxes	701,000	712,000	595,000	577,000
Unrestricted Grants-in-Aid	5,869,000	5,925,000	5,395,000	5,625,000
Restricted Grants-in-Aid	56,000	45,000	87,000	87,000
Property Tax Allocation	343,000	350,000	355,000	352,000
All Other Revenues	224,000	233,000	455,000	569,000
<i>Total Revenues</i>	<u>9,768,000</u>	<u>9,884,000</u>	<u>9,637,000</u>	<u>9,925,000</u>
Other Financing Sources				
Proceeds of Notes	0	0	0	700,000
Advances In	0	0	3,000	0
Operating Transfers In	0	61,000	0	0
<i>Total Other Financing Sources</i>	<u>0</u>	<u>61,000</u>	<u>3,000</u>	<u>700,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>9,768,000</u>	<u>9,945,000</u>	<u>9,640,000</u>	<u>10,625,000</u>
Expenditures				
Personal Services	6,054,000	6,085,000	5,818,000	6,052,000
Employees' Retirement/Insurance Benefits	2,170,000	2,188,000	1,871,000	1,972,000
Purchased Services	1,336,000	1,412,000	1,541,000	1,660,000
Supplies and Materials	352,000	279,000	233,000	390,000
Capital Outlay	89,000	71,000	63,000	76,000
Debt Service:				
Principal- Note	0	0	0	700,000
Interest	0	0	0	19,000
Other Objects	153,000	124,000	262,000	211,000
<i>Total Expenditures</i>	<u>10,154,000</u>	<u>10,159,000</u>	<u>9,788,000</u>	<u>11,080,000</u>
Other Financing Uses				
Advances Out	0	3,000	0	0
<i>Total Other Financing Uses</i>	<u>0</u>	<u>3,000</u>	<u>0</u>	<u>0</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>10,154,000</u>	<u>10,162,000</u>	<u>9,788,000</u>	<u>11,080,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(386,000)	(217,000)	(148,000)	(455,000)
Cash Balance (Deficit) July 1	770,000	384,000	167,000	19,000
Cash Balance (Deficit) June 30	<u>384,000</u>	<u>167,000</u>	<u>19,000</u>	<u>(436,000)</u>
Encumbrances and Reserves:				
Actual/Estimated Encumbrances June 30	117,000	70,000	53,000	62,000
Reservations of Fund Balance for:				
Textbooks	0	38,000	77,000	43,000
Capital and Maintenance	0	0	32,000	129,000
Budget Reserve	110,000	110,000	0	0
Bus Purchase	0	0	16,000	0
<i>Total Encumbrances and Reserves of Fund Balance</i>	<u>227,000</u>	<u>218,000</u>	<u>178,000</u>	<u>234,000</u>
Unencumbered/Unreserved Fund Balance (Deficit) June 30	<u>\$157,000</u>	<u>(\$51,000)</u>	<u>(\$159,000)</u>	<u>(\$670,000)</u>

See accompanying summary of significant forecast assumptions and accounting policies
See accountant's report

Brookfield Local School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2006

Note 1 – The School District

The Brookfield Local School District the (School District) is located in Trumbull County and encompasses all of the Townships of Brookfield and Masury. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates six instructional and support facilities. The School District is staffed by 58 non-certified and 97 certificated personnel, who provide services to 1,402 students and other community members.

Note 2 - Nature of the Forecast

This financial forecast presents, to the best of the Brookfield Local School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the General Fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of April 11, 2006, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 - Nature of the Presentation

The forecast presents the revenues, expenditures, and changes in fund balance of the General Fund. Under State law, certain General Fund resources received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also require General Fund resources pledged for the repayment of debt to be recorded directly in the Debt Service Fund. For presentation in the forecast, the poverty based assistance fund, disadvantaged pupil impact aid (DPIA) fund and general fund supported debt are included in the general fund.

Note 4 - Summary of Significant Accounting Policies

A. - Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the required budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Brookfield Local School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2006

B. - Fund Accounting

The School District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

General Fund - The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than those for major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Fund - Debt service funds are used to account for the accumulation of, resources for, and the payment of, general long-term and short-term debt principal and interest.

Capital Projects Funds - Capital projects funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Permanent Funds - Permanent funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the School District or its students.

Proprietary Funds

Enterprise Funds - Enterprise funds are used to account for any activity for which a fee is charged to external users for goods and services.

Fiduciary Funds

Fiduciary fund reporting accounts for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

C. - Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the fiscal year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Brookfield Local School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2006

Budget - Trumbull County has waived the requirement of the formal tax budget. The county budget commission requires tax levy fund information and summary data for all other funds to be submitted to the Trumbull County Auditor as secretary of the County Budget Commission, by January 20 of each year, for the succeeding fiscal year.

Estimated Resources - The County Budget Commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

Note 5 - General Operating Assumptions

The Brookfield Local School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

Note 6 - Significant Assumptions for Revenues and Other Financing Sources

A. - General and Tangible Personal Property Taxes

Property taxes are applied to real property, public utility real and personal property, manufactured home and tangible personal property used in business. Property taxes are collected for, and distributed to, the school districts in the county by the county auditor and treasurer. Settlement dates, on which collections are distributed to the School District, are established by State statute. The School District may request advances from the county auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. Property tax revenue includes amounts levied against all real, public utility real and tangible, and business tangible personal property located in the School District. Property tax revenue received during calendar year 2005 for real and public utility property taxes represents collections of calendar year 2004 taxes. Property tax payments received during calendar year 2005 for tangible personal property (other than public utility property) are for calendar year 2005 taxes. First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

Brookfield Local School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2006

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is presented in the account "property tax allocation". Beginning in calendar year 2006, the State of Ohio eliminated the ten percent rollback on commercial and industrial property. This change will increase real property taxes collected on commercial and industrial property and decrease property tax allocation revenue.

The forecast excludes the receipt of any advances against fiscal year 2007 schedule property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. The forecasted operating deficit may be decreased to the extent advances are received prior to June 30, 2006 and to the extent the Board appropriates such advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2006.

The property tax revenues for the School District are generated from several levies. The current levies being collected for the General Fund, the year approved, last year of collection, and the full tax rate are as follows:

Tax Levies	Year Approved	Last Year of Collection	Full Tax Rate (per \$1,000 of assessed valuation)
Inside Ten Mill Limitation	n/a	n/a	\$6.00
Continuing Operating	1976	n/a	23.80
Continuing Operating	1981	n/a	6.80
Continuing Operating	1995	n/a	7.50
Total Tax Rate			<u>\$44.10</u>

The School District also has a levy for permanent improvements of \$1.00 per \$1,000 of assessed valuation. The School District's total rate is \$45.10 per \$1,000 of assessed valuation.

General Property Tax - General property tax revenue includes real estate taxes, public utility property taxes, and manufactured home taxes. The amounts shown in the revenue section of the forecast schedule represent gross property tax revenue. The estimated general property tax revenue is based upon actual receipts and information provided by the Trumbull County Auditor. During fiscal year 2006, the School District anticipates a decrease of \$35,000 from the prior fiscal year due to an increase in delinquencies.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carry-over property as in the year in which the levy was approved. For all voted levies except emergency levies and debt, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural property and commercial/industrial property. Reduction factors are not applied to inside millage (an unvoted levy) and tangible personal property levy rates. For the General Fund, the effective residential and agricultural real property tax rate is \$21.32 per \$1,000 of assessed valuation and the effective commercial and industrial real property tax rate is \$25.02 per \$1,000 of assessed valuation for collection year 2006.

Brookfield Local School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2006

Public utility real and personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, HB 66 will switch telephone companies from being public utilities to general business taxpayers and phase out the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after 2010 on local and inter-exchange telephone companies. The State of Ohio will reimburse the School District for the loss of tangible personal property taxes as a result of these changes within certain limitations (see Property Tax Allocation Revenue below).

Tangible Personal Property Tax – Tangible personal property tax is levied on machinery and equipment, furniture and fixtures, and inventory of business. Effective for tax years 2005 and 2006, the assessment rate on business inventory, currently at 23 percent, was to be reduced by two percent if the total statewide collections of personal property taxes for the second preceding year exceed the total statewide collections of property taxes for the third preceding year. Effective for tax years 2007 and beyond, the assessment rate for inventory was to be reduced by two percent per year until it was completely phased out regardless of the growth in collections.

Beginning in 2006, HB 66 will phase out, by 25 percent each year, tangible personal property tax on most business inventory, manufacturing machinery and equipment, and furniture and fixtures. This change supersedes the changes and phase out periods addressed above. No tangible personal property taxes will be levied or collected in 2009 from general business taxpayers (except telephone companies whose last year to pay tangible personal property tax is 2010). Most new manufacturing machinery and equipment that would have been first taxable in tax year 2006 and thereafter will not be subject to any tangible personal property tax. The School District, based on the 2005 tangible personal property tax collections, will lose approximately \$595,000 when the tangible personal property tax is completely phased out in 2009. The State of Ohio will reimburse the School District for the loss of tangible personal property taxes as a result of the changes in HB 66 within certain limitations (see Property Tax Allocation Revenue below).

Tangible personal property tax revenues include the actual settlement for October 2005 and an estimate for the June 2006 personal property tax settlement. The School District receives approximately 81 percent, excluding the \$10,000 exemption, of the tangible personal property tax revenue in the October settlement. The decrease in revenue for the forecast period compared to the prior fiscal year is due to reductions in the percentages used to calculate the assessed valuation offset by increases in personal property.

The State exempts the first \$10,000 in personal property from taxation. The State reimburses the School District for the lost revenue. Beginning with tax year 2004, the State began phasing out the reimbursement by 10 percent each year. Under HB 66, the phase-out period has been accelerated. The last reimbursement for this exemption will be in October 2008

B. - Unrestricted Grants-in-Aid

Unrestricted Grants-in-Aid include State Foundation payments and reimbursement for lost revenue due to utility deregulation. State Foundation payments include formula aid and various categorical aid programs such as special and gifted education, career and technical education, and transportation. Other programs such as equity and parity aid, excess cost supplement, and charge-off supplement which are provided to address certain policy issues or correct flaws in formula aid are also included in this revenue.

Brookfield Local School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2006

The State's foundation program is established by Chapter 3317 of the Ohio Revised Code. The semi-monthly payments are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM), times a per pupil foundation level (adjusted for a regional cost of doing business factor set by the State legislature), less the equivalent of 23 mills times the school district's taxable property valuation. The regional cost of doing business factor is being phased out over a three-year period through fiscal year 2008. The per pupil foundation level has been set by the State Legislature as follows:

Fiscal Year	Per Pupil Foundation Level
2003	\$4,949
2004	5,058
2005	5,169
2006	5,283

The anticipated unrestricted grants-in-aid for fiscal year 2006 are based on current estimates available from the Ohio Department of Education. The most recent estimates reported on the April school foundation statement for fiscal year 2006 and the amounts for the last three fiscal years are as follows:

	Actual Fiscal Year 2003	Actual Fiscal Year 2004	Actual Fiscal Year 2005	Forecasted Fiscal Year 2006	Variance Increase (Decrease)
Formual Aid	\$4,433,000	\$4,250,000	\$4,048,000	\$4,232,000	\$184,000
Categorical Funding	524,000	548,000	406,000	430,000	24,000
Transportation	253,000	291,000	304,000	311,000	7,000
Parity Aid	237,000	358,000	433,000	523,000	90,000
Excess Costs Supplement	93,000	107,000	72,000	85,000	13,000
Foundation Adjustments	282,000	323,000	78,000	(20,000)	(98,000)
Total Foundation	5,822,000	5,877,000	5,341,000	5,561,000	220,000
Utility Deregulation	47,000	48,000	54,000	64,000	10,000
Total Unrestricted Grants-in-Aid	<u>\$5,869,000</u>	<u>\$5,925,000</u>	<u>\$5,395,000</u>	<u>\$5,625,000</u>	<u>\$230,000</u>

Formula Aid is anticipated to increase from the prior fiscal year due to an increase in ADM of 6, an increase in per pupil funding and a decrease in the recognized valuation. Categorical funding increased due to an increase in per pupil funding. Parity aid continues its phase in with the percentage of distribution going from 58 percent in fiscal year 2004 to 76 percent in fiscal year 2005, and 100 percent in fiscal year 2006.

The excess cost supplement aid establishes a 3.3-mill limit on the School District's share of combined funding for special education, vocational education and transportation. If the assumed local share of special and vocational weighted aid plus the assumed local share of transportation exceeds 3.3 mills times the School District's recognized valuation, the State pays the difference in excess cost supplement aid.

Other Adjustments represents the difference between the final settlement and a recalculation of the prior year's SF3 which takes into account corrections for ADM, open enrollment, community school adjustments, transportation costs and other items.

Brookfield Local School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2006

C. - Restricted Grants-in-Aid

Restricted grants-in-aid consist of the bus purchase allowance, career tech monies and Poverty Based Assistance/DPIA monies. For fiscal year 2006, the School District anticipates \$8,000 in bus purchase allowance, \$36,000 in career tech monies and \$43,000 in Poverty Based Assistance monies which replaced the DPIA program.

D. - Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs. Beginning in 2006, the State eliminated the ten percent rollback credit on commercial and industrial real property and the reimbursement to local governments.

Beginning in fiscal year 2006, the State will reimburse the School District for lost revenue due to the phase out of tangible personal property tax. In the first five years, the School District will be fully reimbursed relative to prior law for revenue lost due to the taxable value reductions prescribed by HB 66. Over the next seven years, the reimbursements are phased out. The reimbursement will be for the difference between the assessment values under prior law and the assessment values under HB 66. This means the School District is only reimbursed for the difference between prior law and the phase-outs in HB 66.

Homestead and rollback revenue is based on the historical percentage relationship to real estate tax revenue adjusted for the loss of the ten percent rollback on commercial industrial property.

E. - All Other Revenues

All other revenues include tuition, interest on investments, gas royalties, rentals, Community Alternative Funding System receipts, miscellaneous receipts, sale of assets and the refund of prior year expenditures.

The School District receives tuition for students with developmental and learning disabilities as well as open enrollment. Open enrollment is forecasted to increase due to more students attending the School.

Interest is based on historical investment practices and anticipated rates during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to a pro-rated share of interest earnings with the balance recorded to the general fund.

During fiscal year 2005, the School District instituted a pay-to-play policy for all sports. This policy was rescinded for fiscal year 2006 accounting for the \$52,000 decrease.

The School District receives rental income of \$37,000 from Trumbull County Education Service Center for the use of three School District buildings.

Miscellaneous revenue increased due to the School District receiving a refund of prior year's excess costs.

Brookfield Local School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2006

The School District receives Community Alternative Funding System (CAFS) receipts for services provided to Medicaid students. The decrease of \$101,000 is due to change in the CAFS program.

All other revenues for the past three fiscal years compared to the forecast period are as follows:

Revenue Sources	Actual Fiscal Year 2003	Actual Fiscal Year 2004	Actual Fiscal Year 2005	Forecast Fiscal Year 2006	Variance Increase (Decrease)
Tuition	\$20,000	\$31,000	\$11,000	\$25,000	\$14,000
Open Enrollment	0	0	137,000	288,000	151,000
Field Trip Reimbursements	7,000	4,000	7,000	8,000	1,000
Interest on Investments	17,000	9,000	15,000	16,000	1,000
Gas Royalties	2,000	2,000	2,000	2,000	0
Student Fees	8,000	9,000	62,000	10,000	(52,000)
Rentals	31,000	37,000	37,000	37,000	0
Contributions	15,000	11,000	8,000	8,000	0
Miscellaneous	13,000	17,000	18,000	116,000	98,000
CAFS	78,000	53,000	150,000	49,000	(101,000)
Erate Reimbursement	9,000	11,000	8,000	10,000	2,000
Refund of Prior year Expenditures	24,000	49,000	0	0	0
Totals	\$224,000	\$233,000	\$455,000	\$569,000	\$114,000

F. - Other Financing Sources

The School District issued \$700,000 in tax anticipation notes at 4.80 percent for cash flow purposes. These notes are due on June 15, 2006.

Operating transfers received in fiscal year 2004 represent transfers from the workers' compensation agency fund. Throughout the fiscal year, the School District charges all funds that have salaries, a workers' compensation premium. Those premiums are placed in an agency fund until the bill comes due. Any excess monies are transferred back to the general fund. The School District is not forecasting any transfers for fiscal year 2006.

The School District is not expecting any advances in for fiscal year 2006.

Note 7 - Significant Assumptions for Expenditures and Other Financing Uses

A. - Personal Services

Personal services expenditures represent the salaries and wages paid to certified employees, classified and administrative staff, substitutes, tutors, and board members. In addition to regular salaries, it includes payment for supplemental contracts and severance pay. All employees receive their compensation on a bi-weekly basis. Staffing levels remained consistent at 155 from fiscal year 2005 to fiscal year 2006. There are no staff reductions anticipated for the rest of the forecast period.

Certified (teaching) staff salaries are based on a negotiated contract which includes base and step increases and educational incentives. The certified contract covered the period July 1, 2002 to June 30, 2005 with an extension through June 30, 2006. It contained a four percent increase in the base salary in fiscal years 2003 to 2005 as well as step increases from 3.5 to 8 percent depending on years of experience. The extension authorized a three and a half percent increase in the base salary for fiscal year 2006 as well as step increases from 3.5 to 8 percent depending on years of experience.

Brookfield Local School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2006

The contract for classified staff covers the period July 1, 2003 to June 30, 2007 and allowed for a four percent increase in fiscal year 2004, three and a half percent increase in fiscal year 2005 and three percent increases in fiscal years 2006 and 2007 as well as step increases of one or two percent.

Administrative and non-bargaining unit salaries are set annually by the Board of Education.

The increase in certified salaries is due to the base and step increases. The decrease in classified salaries is due to a decrease in the number of classified employees from fiscal year 2004 to fiscal year 2005 with the full impact of those savings during fiscal year 2006 offset by a three percent increase in base salary and steps. Supplemental contract salaries are forecast to increase due to the increase in the base salary.

The School District offers severance pay upon retirement to its certified and classified employees with five years of service in the School District. Certified employees receive the greater of their daily rate times twenty-five percent of their unused sick leave up to a maximum of fifty days paid or \$31 for each day of unused accumulated sick leave not to exceed two hundred and eighty five days paid. Classified employees receive \$35 a day up to a maximum of two hundred forty days for those who work thirty hours or more per week and \$25 a day up to a maximum of two hundred and forty days for those who work less than thirty hours per week. Severance costs are anticipated to decrease due to the retirement of one less staff member during the forecast period compared with fiscal year 2005.

Other salaries and wages is forecast to increase due to an early retirement incentive offered during fiscal year 2005 that was not paid until fiscal year 2006. Fiscal year 2005 was the only year that the early retirement incentive was offered.

Presented below is a comparison of salaries and wages for fiscal years 2003, 2004, 2005 and the forecast period.

	Actual Fiscal Year 2003	Actual Fiscal Year 2004	Actual Fiscal Year 2005	Forecast Fiscal Year 2006	Variance Increase (Decrease)
Certified Salaries	\$4,721,000	\$4,804,000	\$4,569,000	\$4,792,000	\$223,000
Classified Salaries	879,000	903,000	837,000	833,000	(4,000)
Substitute Salaries	158,000	146,000	126,000	123,000	(3,000)
Supplemental Contracts	171,000	192,000	174,000	184,000	10,000
Severance Pay	100,000	14,000	80,000	75,000	(5,000)
Other Salaries and Wages	25,000	26,000	32,000	45,000	13,000
Totals	<u>\$6,054,000</u>	<u>\$6,085,000</u>	<u>\$5,818,000</u>	<u>\$6,052,000</u>	<u>\$234,000</u>

B. – Employees’ Retirement/Insurance Benefits

Employees’ retirement and insurance benefits include employer contributions to the State pension systems, health care, medicare, workers’ compensation, and other benefits arising from the negotiated agreements.

Retirement costs are based on the employer’s contribution rate of fourteen percent of salaries for STRS and SERS. An additional two percent is charged by SERS to cover the annual SERS surcharge. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from over/under estimates are prorated over the next calendar year. Retirement costs are forecasted to increase based on forecasted salaries and adjustments resulting from over/under estimates. The School District pays the employee’s retirement contribution of the superintendent, principals and treasurer.

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Health care costs are based on rates set by the Trumbull County Health insurance consortium, a public entity risk sharing pool. All funds are charged for the number of employees participating in the program and the type (single or family) of coverage provided to each employee. The health care program includes medical/surgical, prescription drug, dental care and vision benefits. Health care rates are fixed on a calendar year basis. In fiscal year 2006, health care rates remained the same as those in fiscal year 2005. The School District was given two premium holidays during fiscal year 2006 and one during fiscal year 2005. The School District therefore did not have to make premium payments during the months of July 2005 and January 2006. Due to additional employees taking advantage of the health insurance, health care costs are anticipated to increase in fiscal year 2006.

Life insurance premiums are based on the coverage amount, the anticipated number of employees participating in the program and the monthly premiums. There is no change anticipated in life insurance costs for fiscal year 2006.

Workers' compensation is forecast to increase by \$5,000. Workers' compensation is calculated by multiplying the School District's assigned rate times the actual salaries and wages paid in the previous calendar year. The increase is due to an increase in both the assigned rate from \$.51 per hundred dollars of payroll for 2004 to \$.67 per hundred dollars of payroll. Workers' compensation premiums are calculated on calendar year wages and are either paid in full in May or 45 percent in May and 55 percent in September of the following fiscal year. The School District pays the workers' compensation in full in May. The School District did not receive a premium reduction for 2006. In prior fiscal years, the School District received a premium reduction of 50 percent of the premiums paid in fiscal year 2003 and 20 percent in fiscal years 2004 and 2005.

Unemployment is anticipated to decrease because the School District reduced its staff by 13 employees at the beginning of fiscal year 2005. Those employees received unemployment during fiscal year 2005 and no additional employees are expected to be reduced during fiscal year 2006.

Presented below is a comparison of the past three fiscal years and the forecast period:

	Actual Fiscal Year 2003	Actual Fiscal Year 2004	Actual Fiscal Year 2005	Forecast Fiscal Year 2006	Variance Increase (Decrease)
Employer's Retirement	\$884,000	\$894,000	\$834,000	\$892,000	\$58,000
Health Care/Life Insurance	1,212,000	1,232,000	959,000	1,012,000	53,000
Workers' Compensation	28,000	16,000	15,000	20,000	5,000
Medicare	41,000	45,000	41,000	44,000	3,000
Unemployment	5,000	1,000	22,000	4,000	(18,000)
Totals	<u>\$2,170,000</u>	<u>\$2,188,000</u>	<u>\$1,871,000</u>	<u>\$1,972,000</u>	<u>\$101,000</u>

Brookfield Local School District
Trumbull County
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C. - Purchased Services

Presented below are the purchased service expenditures for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2003	Actual Fiscal Year 2004	Actual Fiscal Year 2005	Forecast Fiscal Year 2006	Variance Increase (Decrease)
Professional and Technical Services	\$89,000	\$42,000	\$71,000	\$108,000	\$37,000
Property Services	120,000	118,000	121,000	93,000	(28,000)
Travel and Meeting Expenses	4,000	4,000	6,000	13,000	7,000
Communication Costs	33,000	29,000	29,000	28,000	(1,000)
Utility Services	303,000	376,000	362,000	339,000	(23,000)
Tuition Payments	693,000	763,000	880,000	996,000	116,000
Pupil Transportation	94,000	80,000	72,000	83,000	11,000
Totals	<u>\$1,336,000</u>	<u>\$1,412,000</u>	<u>\$1,541,000</u>	<u>\$1,660,000</u>	<u>\$119,000</u>

Professional and Technical Services are anticipated to increase due to legal fees for the issuance of the tax anticipation notes. Utilities are anticipated to decrease due the School District experiencing a milder winter. Tuition is also expected to increase due to an increase in excess costs charged by the County Educational Service Center and a higher tuition amount being estimated by the Ohio Department of Education for students who live within the School District but attend classes in another district.

D. - Supplies and Materials

Presented below are the supplies and materials expenditures for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2003	Actual Fiscal Year 2004	Actual Fiscal Year 2005	Forecast Fiscal Year 2006	Variance Increase (Decrease)
General Supplies, Library Books and Periodicals	\$242,000	\$145,000	\$112,000	\$202,000	\$90,000
Operations, Maintenance and Repair	87,000	109,000	99,000	148,000	49,000
Textbooks	23,000	25,000	22,000	40,000	18,000
Totals	<u>\$352,000</u>	<u>\$279,000</u>	<u>\$233,000</u>	<u>\$390,000</u>	<u>\$157,000</u>

The School District will do a large purchase of supplies in order to replenish inventory. The School District will then limit the spending on supplies for the next couple of years until the inventory needs to be replenished. Fiscal year 2006 is a replenishing year. The increase is also attributed to an increase in the price of diesel fuel for the buses.

Brookfield Local School District
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Summary of Significant Assumptions and Accounting Policies
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E. - Capital Outlay

The acquisition or construction of property, plant and equipment acquired or used for instructional and support services is recorded as capital outlay expenditures. Capital outlay expenditures are for the purchase of two garage doors, some updates to the electrical system, a surveillance system and the purchase of a school bus. Prior fiscal year capital outlay expenditures included building repairs and the purchase of equipment and a bus. The School District has a permanent improvement fund that generates approximately \$94,000 annually. The School District uses this fund to make all major capital expenditures.

F. - Debt Service

During fiscal year 2006, the School District issued \$700,000 in tax anticipation notes for 4.8 percent due on June 15, 2006. There is \$19,000 in interest and fiscal charges forecast to be paid during fiscal year 2006.

G. - Other Objects

Other object expenditures consist of dues and fees and liability insurance. The \$51,000 decrease from fiscal year 2005 is due to the School District anticipating reduced dues and fees.

H. - Advances Out

No advances out are anticipated during fiscal year 2006. The School District does not foresee other funds needing cash advances to cover negative cash balances during fiscal year 2006.

Note 8 - Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance.

Encumbrances for purchased services, supplies and materials, capital outlay and other objects as of June 30, 2005 were \$53,000 and are forecasted at \$62,000 as of June 30, 2006.

Note 9 - Reservations of Fund Balance

The School District is required by State statute to annually set aside in the general fund three percent of certain revenues 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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in the future years.

Brookfield Local School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
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A. - Textbooks and Instructional Materials Set-Aside

The set aside requirement for fiscal year 2006 is \$206,000. There was a carryover balance of \$77,000 from fiscal year 2005. The School District anticipates \$240,000 in qualifying expenditures during the current fiscal year. Therefore, a reserve amount of \$43,000 is forecasted for textbook and instructional materials.

B. - Capital and Maintenance Set-Aside

The set aside amount for fiscal year 2006 is \$206,000 and the School District had a carryover balance of \$32,000. The School District anticipates \$109,000 in qualifying expenditures in during the current fiscal year. Therefore, a reserve amount of \$129,000 for capital and maintenance is forecasted.

C. – Bus Purchases

At June 30, 2005, the School District had \$16,000 in unspent bus monies. The School District received \$7,000 in a bus purchase allowance during fiscal year 2006. The School District purchased a new public school bus during the current fiscal year totaling \$56,000. Therefore, there is no reserve amount forecasted for bus purchases.

D. – Poverty Based Assistance/Disadvantaged Pupil Impact Aid (DPIA)

At June 30, 2005, the School District had no unspent DPIA monies. The School District anticipates receiving \$43,000 in restricted Poverty Based Assistance monies during fiscal year 2006 and having \$43,000 in Poverty Based Assistance expenditures during the current fiscal year. Therefore, no reserve for Poverty Based Assistance is forecasted.

Note 10 - Levies

In the past ten years, the School District has placed several levies on the ballot. The type of levy, millage amount, term and election results are as follows:

<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Term</u>	<u>Election Results</u>
November 1997	Permanent Improvement	1.0 mill	5 Years	Passed
November 2001	Permanent Improvement	1.0 mill	5 Years	Failed
November 2002	Permanent Improvement	1.0 mill	5 Years	Passed
November 2003	Operating	4.0 mills	Continuing	Failed
November 2004	Operating	4.0 mills	Continuing	Failed
February 2005	Operating	7.0 mills	Continuing	Failed
March 2005	Operating	4.0 mills	Continuing	Failed
May 2005	Operating	7.0 mills	Continuing	Failed
November 2005	Emergency	\$919,000	5 Years	Failed

Brookfield Local School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
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Note 11 - Pending Litigation

The School District's management is of the opinion that there are no issues that would have a material effect on the financial forecast.

Note 12 - Information Related to Periods Beyond the Forecast Period

Management believes that the following information, although it does not constitute a financial forecast, is necessary in order for users to make a meaningful analysis of the forecast results. On April 26, 2006, the Board of Education, by resolution, implemented a reduction in force that will reduce expenditures beginning in fiscal year 2007 by approximately \$1,100,000. The School District believes the reduction in force will allow the School District to end fiscal year 2007 with a surplus of approximately \$290,000. The information presented in this note is less reliable than the information presented in the financial forecast and, accordingly, is presented for information purposes only. Furthermore, there can be no assurance that events and circumstances described in this note will occur.



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BROOKFIELD LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 31, 2006**