



Dave Yost • Auditor of State

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

**Financial Forecast
For the Fiscal Year Ending June 30, 2017**

Local Government Services Section

Brookfield Local School District
Trumbull County

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Dave Yost • Auditor of State

Financial Planning and Supervision Commission
Brookfield Local School District
Ohio Department of Education
25 South Front Street
Columbus, Ohio 43215

and

Board of Education
Brookfield Local School District
614 Bedford Road
Brookfield, Ohio 44403

CERTIFICATION

Certification is hereby made that, based upon the requirement set forth in Section 3316.08, 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 March 30, 2017. 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 surplus for the fiscal year ending June 30, 2017 of \$281,000.

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 2018 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. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2017.

DAVE YOST
Auditor of State

Unice S. Smith
Chief of Local Government Services

May 23, 2017

Local Government Services Section
88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4717 or 800-345-2519 Fax: 866-882-0004
www.ohioauditor.gov

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Dave Yost • Auditor of State

Board of Education
Brookfield Local School District
614 Bedford Road
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 Brookfield Local School District for the fiscal year ending June 30, 2017. 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 statement of revenues, expenditures and changes in fund balance arising from cash transactions of the general fund for the fiscal years ended June 30, 2014, 2015, and 2016 were compiled by us and we have not audited or reviewed the accompanying financial statements, and, accordingly, we do not express an opinion or provide any assurance about whether the financial statements are in accordance with the cash basis of accounting. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements. Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that no material modifications that should be made to the financial statements. Management has chosen to omit the disclosures associated with the cash basis of accounting.

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

DAVE YOST
Auditor of State

March 30, 2017

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 866-882-0004

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Brookfield Local School District
Trumbull County
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2014 Through 2016 Actual;
For the Fiscal Year Ending June 30, 2017 Forecasted
General Fund

	Fiscal Year 2014 Actual	Fiscal Year 2015 Actual	Fiscal Year 2016 Actual	Fiscal Year 2017 Forecasted
Revenues				
General Property Taxes	\$2,940,000	\$3,187,000	\$3,212,000	\$3,274,000
Unrestricted Grants-in-Aid	5,322,000	5,269,000	5,421,000	5,747,000
Restricted Grants-in-Aid	232,000	195,000	165,000	171,000
Property Tax Allocation	619,000	666,000	549,000	508,000
All Other Revenues	556,000	477,000	796,000	488,000
<i>Total Revenues</i>	<u>9,669,000</u>	<u>9,794,000</u>	<u>10,143,000</u>	<u>10,188,000</u>
Other Financing Sources				
Proceeds from Sale of Notes	800,000	800,000	700,000	300,000
Solvency Assistance Advance	514,000	0	0	0
Advances In	0	380,000	0	389,000
<i>Total Other Financing Sources</i>	<u>1,314,000</u>	<u>1,180,000</u>	<u>700,000</u>	<u>689,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>10,983,000</u>	<u>10,974,000</u>	<u>10,843,000</u>	<u>10,877,000</u>
Expenditures				
Personal Services	4,768,000	4,864,000	4,793,000	5,120,000
Employees' Retirement/Insurance Benefits	1,829,000	1,745,000	1,795,000	1,961,000
Purchased Services	2,222,000	2,352,000	2,273,000	2,204,000
Supplies and Materials	362,000	393,000	390,000	390,000
Capital Outlay	32,000	103,000	69,000	100,000
Debt Service:				
Principal-Tax Anticipation Notes	800,000	800,000	700,000	300,000
Principal-Solvency Assistance Advance	509,000	766,000	257,000	0
Interest	11,000	8,000	8,000	5,000
Other Objects	115,000	160,000	134,000	139,000
<i>Total Expenditures</i>	<u>10,648,000</u>	<u>11,191,000</u>	<u>10,419,000</u>	<u>10,219,000</u>
Other Financing Uses				
Transfers Out	25,000	0	19,000	59,000
Advances Out	380,000	0	0	389,000
<i>Total Other Financing Uses</i>	<u>405,000</u>	<u>0</u>	<u>19,000</u>	<u>448,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>11,053,000</u>	<u>11,191,000</u>	<u>10,438,000</u>	<u>10,667,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(70,000)	(217,000)	405,000	210,000
Cash Balance (Deficit) July 1	3,000	(67,000)	(284,000)	121,000
Cash Balance (Deficit) June 30	(67,000)	(284,000)	121,000	331,000
Encumbrances				
Actual/Estimated Encumbrances June 30	0	50,000	12,000	50,000
Unencumbered/Unreserved Fund Balance (Deficit) June 30	<u>(\$67,000)</u>	<u>(\$334,000)</u>	<u>\$109,000</u>	<u>\$281,000</u>

See accompanying summary of significant forecast assumptions and accounting policies
See Independent Accountant's Report

Brookfield Local School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2017

Note 1 – The School District

The Brookfield Local School District (the School District) is located in Trumbull County and includes all of Brookfield Township, Masury Township and the Village of Yankee Lake. 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 one instructional/administrative building. The School District is staffed by 49 non-certified and 76 certificated personnel to provide services to approximately 1,051 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 March 30, 2017, 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 revenues 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 the general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund. For presentation in the forecast, the School District's general fund supported debt is included in the general fund.

Note 4 - Summary of Significant Accounting Policies

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.

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

Brookfield Local School District
Trumbull County
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For the Fiscal Year Ending June 30, 2017

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 and report all financial resources not accounted for and reported 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 and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specified restricted or committed revenues should be the foundation for a special revenue fund.

Debt Service Fund - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated (i.e. debt payable from property taxes). Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in the debt service funds.

Capital Projects Funds - Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Permanent Funds - Permanent funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs - that is, for the benefit of the government or its citizenry. Permanent funds do not include private-purpose trust funds, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other organizations.

Proprietary Funds

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

Internal Service Funds - Internal service funds account and report for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary funds account 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.

Brookfield Local School District
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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2017

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 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.

Budget - A budget of estimated cash receipts and disbursements is 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 fiscal year. The appropriation measure may be amended or supplemented during the fiscal 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

General and Tangible Personal Property Taxes

Property taxes are applied to real property, public utility real and personal property and manufactured homes which are located within the School District. Property taxes are collected for, and distributed to, the School District 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 Trumbull 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

Brookfield Local School District
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 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2017

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 received during calendar year 2017 (the collection year) for real and public utility property taxes represents collections of 2016 taxes (the tax year). 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.

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”.

Prior to fiscal year end, a school district may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances against fiscal year 2018 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. Currently, it is the Board’s intent not to appropriate any such advances for fiscal year 2017.

The property tax revenues for the general fund are generated from several levies. The levies being collected for the general fund, the year approved, first and last calendar year of collection, and the full tax rate are as follows:

Tax Levies	Year Approved/ Renewed	First Calendar Year of Collection	Last Calendar Year of Collection	Full Tax Rate (Per \$1,000 of Assessed Valuation)
Inside Ten Mill Limitation (Unvoted)	n/a	n/a	n/a	\$6.00
Continuing Operating	1976	1976	n/a	23.80
Continuing Operating	1981	1981	n/a	6.80
Continuing Operating	1995	1995	n/a	7.50
Continuing Operating	2013	2014	n/a	4.85
Total Tax Rate				<u><u>\$48.95</u></u>

The School District also has a classroom facilities levy equal to \$.50 per \$1,000 of assessed valuation and two debt service levies totaling \$7.95 per \$1,000 of assessed valuation. The School District’s total tax rate is \$57.40 per \$1,000 of assessed valuation.

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 carryover property as in the prior year. Reduction factors are also adjusted to generate the same amount of property tax revenue on carryover property when there is a decline in the assessed valuation of property. For all voted levies, except emergency and debt levies, 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 real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy). State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating

Brookfield Local School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2017

levies (excluding emergency levies) plus inside millage used for operating purposes below 20 mills. For the general fund, the effective residential and agricultural real property tax rate is at \$27.39 per \$1,000 of assessed valuation for collection year 2017, and the effective commercial and industrial real property tax rate is \$30.82 per \$1,000 of assessed valuation for collection year 2017.

Public utility personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes.

General Property Tax - General property tax revenue includes real estate taxes, public utility property taxes and manufactured home taxes. The amount shown in the revenue section of the forecast schedule represents gross property tax revenue and is based upon information provided by the Trumbull County Auditor. The School District anticipates an increase of \$62,000 from the prior fiscal year based upon information provided by the Trumbull County Auditor and a review of historical and current fiscal year tax settlements at the School District.

Unrestricted Grants-in-Aid

In fiscal year 2011 Ohio school districts received their funding under the Ohio Evidence-Based Model (OEBM) that was established in Chapter 3306 of the Ohio Revised Code and linked educational research on academic achievement and successful outcomes with funding components to achieve results. It incorporated real financial data and socioeconomic factors to fund resources and implement proven school programs according to the student need to achieve educational adequacy. The adequacy amount was the sum of service support components for instruction, administrative, operations and maintenance, gifted and enrichment, professional development and an instructional materials factor. These factors were multiplied against the Ohio education challenge factor (a district's wealth factor) and the State-wide base salary for given positions and the number of positions funded. Other factors included in the calculation were student/teacher ratios, organizational units, and average daily membership (ADM). The adequacy amount was offset by the school district share of the adequacy amount (the charge off amount), which was equal to 20 mills for 2014 and thereafter.

Beginning in fiscal year 2012, the administration of Governor John Kasich proposed to move away from the Ohio Evidence Based Model (OEBM) to a new funding method. However, since a new funding mechanism was not formulated as of yet, the administration decided to fund school districts in fiscal years 2012 and 2013 based on a transitional approach until a new formula was devised. This transitional approach was referred to as the Bridge formula. The Bridge formula divided the fiscal year 2011 OEBM funding by a calculated ADM to determine the per pupil funding. The per pupil funding was then multiplied by the fiscal year 2012 and 2013 ADM. The adequacy amount was offset by the school district share of the adequacy amount (the charge off amount), which was equal to 21 mills of property taxes for fiscal years 2012 and 2013. In addition to this adjustment, each school district's fiscal year 2012 and 2013 funding was further adjusted so that the district received at least the total funding it received in fiscal year 2011 after subtracting the state fiscal stabilization funds from total funding, as well as to provide financial incentives for high performing districts.

In fiscal year 2014, the State General Assembly adopted a new funding method to replace the Bridge Formula. The new foundation formula includes a base amount of funding per pupil, known as the Opportunity Grant, and also provides additional funding for a number of different services designed to serve the needs of various populations of students. The Opportunity Grant is calculated using a per pupil amount times the Average Daily Membership (ADM). For fiscal year 2014, the ADM count continued to use the current fiscal year count taken during the first full week of October. This amount was then multiplied by the State Share Index, which factored in the property wealth and the income of residents of

Brookfield Local School District
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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2017

the school district. These calculations are a multi-step process and are reflected on the School Finance Payment Report (SFPR). School districts were guaranteed the amount received for fiscal year 2013 (including transportation aid and funding for career technical education) and no school district received an increase greater than 6.25 percent for fiscal year 2014 or 10.5 percent for fiscal year 2015. For fiscal years 2016 and 2017, the SFPR continues to be used and the calculation of foundation funding is similar to fiscal year 2015. School districts are guaranteed the amount received for fiscal year 2015 (excluding capacity aid, transportation supplement, graduation bonus, and third grade reading bonus), and limited to an increase of 7.5 percent in each fiscal year. For fiscal year 2017, career-technical education funding has been removed from the guarantee base and exempt from the 7.5 percent increase cap. Based on the most recent foundation settlement, the School District estimates \$5,694,000 in foundation funding for fiscal year 2017.

Beginning in fiscal year 2013, the School District started receiving additional unrestricted grants-in-aid revenue due to casino revenue. Of the casino revenue collected by the State, thirty-four percent is distributed to school districts, based on student population. For fiscal year 2017, the School District anticipates casino revenue of \$53,000, for a total unrestricted grants-in-aid amount of \$5,747,000.

Restricted Grants-in-Aid

Restricted grants-in-aid consists of revenue to aid career technologies programs and economically disadvantaged funding. Based on the latest foundation settlement, the School District expects to receive \$7,000 in career technologies monies and \$164,000 in economically disadvantaged funding for a total restricted grants-in-aid amount of \$171,000 for fiscal year 2017.

Property Tax Allocation

Since 1971, the State has reimbursed local governments for lost tax revenue related to State mandated rollback and homestead exemptions. House Bill 59 signed in 2013 effected these reductions. The new law indicates that the ten percent and the two and one-half percent rollbacks will no longer apply to new levies that are enacted after August 31, 2013. In addition, House Bill 59 has adjusted the Homestead Exemption and it will now be a means tested provision only available to those otherwise eligible taxpayers with household incomes that do not exceed \$30,000. These changes reduce reimbursements from the State and increase real property tax revenue. Homestead and rollback revenue is forecasted to remain consistent with the fiscal year 2016 level.

From 2005 to 2011, State law phased out taxes levied by school districts on business personal property. The State's original intent was to compensate school districts for resulting tax losses in full until fiscal year 2013, when payments themselves were to begin to be phased out. House Bill 153 signed in June 2011 accelerated the phase out during fiscal year 2012-2013 biennium and to pay reimbursements after the biennium at the reduced level paid at the end of fiscal year 2013. The new phase out is scaled according to a school districts reliance on those reimbursements as a percentage of the district's total budget. In 2012, House Bill 508 went into effect. It provides technical changes to the formula used to calculate fixed rate losses pertaining to business property tax expense levies. House Bill 64, which went into effect in 2015, resumed the phase-out of tangible personal properties (TPP) reimbursements and changed the calculation and distribution methodology of TPP reimbursements. The School District is anticipating a decrease in TPP reimbursement revenues during the forecast period. The decrease is based on the House Bill 64 phase out of this reimbursement. The School District received a reduced fixed rate current operating levy loss reimbursement in fiscal year 2016, but is not expected to receive any reimbursement for the fixed rate current operating levy loss in fiscal year 2017, since the School District's

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 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2017

ratio of current expense allocation to total resources is not expected to meet the threshold for the reimbursement in fiscal year 2017. The fixed sum operating levy loss reimbursements are scheduled to be phased out in decreasing factors of the fiscal year 2015 reimbursement amount, with factors of 1.0, 0.8, 0.6, 0.4 and 0.2 for fiscal years 2017, 2018, 2019, 2020 and 2021, respectively. The School District is forecasting that it will not receive any TPP reimbursement in fiscal year 2017.

Property tax allocation revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2014	Actual Fiscal Year 2015	Actual Fiscal Year 2016	Forecasted Fiscal Year 2017	Variance
Homestead and Rollback	\$463,000	\$510,000	\$508,000	\$508,000	\$0
Tangible Personal Property Loss Reimbursement	156,000	156,000	41,000	0	(41,000)
Totals	\$619,000	\$666,000	\$549,000	\$508,000	(\$41,000)

All Other Revenues

All other revenues include tuition, transportation reimbursement, interest, student class fees, rentals, donations, e-rate refunds, Medicaid School Program reimbursements, refund of prior year expenditures and other revenue.

Open enrollment tuition revenue is expected to decrease from fiscal year 2016, based on the latest foundation settlement.

Interest is based on historical investment practices and anticipated rates and cash balances 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 receive an allocation of interest earnings with the greatest allocation being to the general fund. Interest revenue is expected to remain consistent.

Medicaid School Programs decreased by \$166,000 due to the School District receiving reimbursement settlements from several prior fiscal years during fiscal year 2016.

Refund of prior year expenditures for fiscal year 2017 are expected to decrease as a result of the School District not anticipating to receive a refund from the Trumbull County ESC for overpayment of shared services costs.

Other revenues include vocational mileage and other revenue. This is expected to increase for fiscal year 2017.

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 For the Fiscal Year Ending June 30, 2017

All other revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2014	Actual Fiscal Year 2015	Actual Fiscal Year 2016	Forecast Fiscal Year 2017	Variance
Open Enrollment and Other Tuition	\$283,000	\$302,000	\$371,000	\$321,000	(\$50,000)
Transportation Reimbursement	8,000	7,000	9,000	8,000	(1,000)
Interest on Investments	1,000	1,000	1,000	1,000	0
Student Class Fees	3,000	2,000	3,000	2,000	(1,000)
Rentals	21,000	18,000	20,000	22,000	2,000
Donations	7,000	14,000	0	7,000	7,000
Sale of Capital Assets	93,000	1,000	69,000	0	(69,000)
E-Rate Reimbursements	27,000	26,000	26,000	22,000	(4,000)
Medicaid School Program	27,000	15,000	216,000	50,000	(166,000)
Refund of Prior Year Expenditures	46,000	42,000	68,000	38,000	(30,000)
Other Revenue	40,000	49,000	13,000	17,000	4,000
Totals	<u>\$556,000</u>	<u>\$477,000</u>	<u>\$796,000</u>	<u>\$488,000</u>	<u>(\$308,000)</u>

Other Financing Sources

Proceeds from Sale of Notes – During fiscal year 2014, the School District issued \$800,000 in tax anticipation notes at an interest rate of 2.50 percent. During fiscal year 2015, the School District issued \$800,000 in tax anticipation notes at an interest rate of 2.10 percent. During fiscal year 2016, the School District issued \$700,000 in tax anticipation notes at an interest rate of 3.46 percent. During fiscal year 2017, the School District issued \$300,000 in tax anticipation notes at an interest rate of 3.46 percent.

Solvency Assistance Advance – In fiscal year 2014, the School District received a Solvency Assistance Advance in the amount of \$514,000 from the State. The State solvency assistance fund advances money to school districts that are in fiscal emergency or that meet one or more of nine reasons identified in Section 3301-92-03 of the Ohio Administrative Code. The advance was repaid over two years from the State foundation revenues.

Advances In – During fiscal year 2014, advances were made for a total of \$380,000 to other funds. This advance was repaid during fiscal year 2015. During fiscal year 2017, advances were made for a total of \$389,000 to other funds. This advance was repaid during fiscal year 2017.

Note 7 – Significant Assumptions for Expenditures and Other Financing Uses

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. Administrative salaries are set by an administrative agreement.

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Staffing levels for the last three fiscal years and the forecast period are displayed in the chart below. The amounts represent full time equivalents.

	2014	2015	2016	2017
<i>General Fund:</i>				
Certified	62	65	62	66
Classified	45	41	45	42
Total General Fund:	<u>107</u>	<u>106</u>	<u>107</u>	<u>108</u>
<i>Other Funds:</i>				
Certified	11	11	14	10
Classified	11	11	8	7
Total Other Funds:	<u>22</u>	<u>22</u>	<u>22</u>	<u>17</u>
Totals	<u><u>129</u></u>	<u><u>128</u></u>	<u><u>129</u></u>	<u><u>125</u></u>

Certified (teaching) staff salaries are based on a negotiated contract which includes step increases and educational incentives for existing staff. The contract covers the period June 30, 2015 to June 29, 2018, and allows for a 1 percent increase in the base salary as well as a \$400 salary enhancement payment for fiscal years 2016 and 2017. Certified employees received step increases ranging from 0 to 5 percent, with an average step increase of 2 percent. Certified salaries are forecasted to increase due to base and step increases as well as the movement of four staff salaries from grant funds to the general fund and the hiring of a special education teacher with a partial year payment from the general fund.

Classified salaries are based on a negotiated contract which includes base and step increases. The contract covers the period July 1, 2014 to June 30, 2017. The forecasted salaries for fiscal year 2017 include a base increase of 1 percent and an average step increase of 0.5 percent. Classified salaries are forecasted to decrease due to the reduction of three classified employees paid out of the general fund.

Substitute salaries are expected to increase for the forecast period based upon the School District having two long-term substitutes for military leave and a long-term illness.

Supplemental salaries are based on a negotiated contract. Supplemental costs are forecasted to increase due to a 1 percent increase in the salary base as well as step increases from the negotiated contracts. The School District continues to pay all supplemental salaries related to athletics out of its athletic funds during fiscal year 2017 as it did in the prior fiscal year.

Overtime is forecasted to slightly increase from the prior fiscal year.

The School District offers severance pay upon retirement to its certified and classified employees who are eligible to retire under the provisions set by STRS or SERS. Upon retirement, certificated employees with ten or more years of service receive payment for twenty-five percent of total sick leave accumulation up to a maximum of sixty days. Full-time classified employees with ten or more years of service upon retirement receive \$40 per day of unused sick leave up to a maximum of 240 days. Part-time classified employees with ten or more years of service upon retirement receive \$30 per day of unused sick leave up to a maximum of 240 days. Certified and classified severance costs for fiscal year 2017 were estimated based on employees known to be retiring. Severance costs are anticipated to slightly increase from fiscal year 2016.

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Other salaries are comprised of attendance bonuses and an insurance opt-out that is paid to staff. This line is anticipated to be consistent with fiscal year 2016 based on payments already made during the current fiscal year.

Presented below is a comparison of salaries and wages for the past three fiscal years and the forecast period.

	Actual Fiscal Year 2014	Actual Fiscal Year 2015	Actual Fiscal Year 2016	Forecast Fiscal Year 2017	Variance Increase (Decrease)
Certified Salaries	\$3,336,000	\$3,366,000	\$3,423,000	\$3,645,000	\$222,000
Classified Salaries	904,000	946,000	884,000	882,000	(2,000)
Substitute Salaries	147,000	163,000	157,000	236,000	79,000
Supplemental Contracts	188,000	188,000	204,000	230,000	26,000
Overtime	26,000	24,000	22,000	23,000	1,000
Severance	126,000	128,000	24,000	26,000	2,000
Board Members	7,000	7,000	7,000	7,000	0
Other Salaries and Wages	34,000	42,000	72,000	71,000	(1,000)
Totals	<u>\$4,768,000</u>	<u>\$4,864,000</u>	<u>\$4,793,000</u>	<u>\$5,120,000</u>	<u>\$327,000</u>

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 employers' contribution rate of 14 percent of salaries for STRS and SERS and an additional SERS surcharge levied to fund healthcare benefits for employees earnings less than a minimum salary amount. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from differences between the estimates and the actual amounts are prorated over the next calendar year. The School District pays the employee retirement contributions for the superintendent and treasurer. Retirement costs are anticipated to increase for fiscal year 2017.

In years past, SERS has been paid six months in arrears by Ohio school districts. On March 18, 2010, the SERS board decided to give the school districts two options. Option one was for school districts to pay the six month arrearage by June 30, 2010, to become current. Option two was for SERS to spread the six month arrearage amount over the next six years adding to the current payment. Brookfield Local School District chose option two and had a total arrearage liability of \$94,464, with annual payments of \$15,744, at that time. The School District made the final arrearage payment in fiscal year 2017.

Hospitalization, vision, and dental health care costs are based on monthly premiums set by the Trumbull County Schools Insurance Consortium. Health care premiums are currently set for a six month period from January 1, 2017 to June 30, 2017. The Consortium voted on and passed an additional 3 percent increase in hospitalization effective July 1, 2017. 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 and dental care.

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Current health care rates are as follows:

Single Rates:

	<u>Medical</u>	<u>Dental</u>	<u>Life</u>	<u>Total</u>
July 1, 2016 to December 31, 2016	\$476.89	\$33.95	\$5.75	\$516.59
January 1, 2017 to June 30, 2017	491.20	33.95	5.75	530.90

Family Rates:

	<u>Medical</u>	<u>Dental</u>	<u>Life</u>	<u>Total</u>
July 1, 2016 to December 31, 2016	\$1,240.84	\$111.14	\$5.75	\$1,357.73
January 1, 2017 to June 30, 2017	1,278.07	111.14	5.75	1,394.96

Full time employees of the School District contribute 5 to 10 percent of the premium for health insurance depending on the employee's hire date. Part time employees of the School District contribute 40 percent of the premium for health and dental insurance.

Healthcare costs are forecasted to increase in fiscal year 2017 due to (1) a 3 percent increase in medical insurance rates starting in January 2017, (2) a 14 percent increase in dental insurance rates starting in July 2016, (3) approximately six more employees receiving family coverage versus single coverage in fiscal year 2017 and (4) the School District being required to make 13 payments in fiscal year 2017 due to 11 payments only being made in fiscal year 2016.

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. In previous years, premiums were paid in the following calendar year. Beginning in calendar year 2016, the Bureau of Worker's Compensation (BWC) transitioned to prospective billing. The bills to be paid in calendar 2016 included payment on calendar year 2015 wages (policy year 2015) and payment on calendar year 2016 estimated wages (policy year 2016). For this transition policy year, the BWC gave a 50 percent credit on the retrospective bill on 2015 wages and a 50 percent credit on the prospective bill on 2016 wages. During fiscal year 2016, the School District paid 55 percent of the premium for calendar year 2014, the premium for calendar year 2015 and the first half installment of the premium for calendar 2016. In fiscal year 2017, the School District will pay the second half installment of the premium for calendar year 2016 as well as six monthly payments for January through June 2017. The workers' compensation amount for fiscal year 2017 is forecasted to decrease due to the timing of payments resulting from the prospective billing transition as well as to a decrease in the workers' compensation rate based on claims history.

Medicare is based on a percentage of wages and is estimated to increase in fiscal year 2017 due to the increase in wages.

Other benefits include unemployment claims, tuition reimbursement and annuity payments for the treasurer and superintendent. Other benefits are expected to decrease slightly in fiscal year 2017 due to an anticipated decrease in annuity expenses and tuition reimbursement.

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

	Actual Fiscal Year 2014	Actual Fiscal Year 2015	Actual Fiscal Year 2016	Forecast Fiscal Year 2017	Variance Increase (Decrease)
Employer's Retirement	\$697,000	\$730,000	\$715,000	\$740,000	\$25,000
Health Care/Life Insurance	964,000	864,000	928,000	1,098,000	170,000
Workers' Compensation	70,000	62,000	63,000	33,000	(30,000)
Medicare	58,000	62,000	64,000	68,000	4,000
Other Benefits	40,000	27,000	25,000	22,000	(3,000)
Totals	\$1,829,000	\$1,745,000	\$1,795,000	\$1,961,000	\$166,000

Purchased Services

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

	Actual Fiscal Year 2014	Actual Fiscal Year 2015	Actual Fiscal Year 2016	Forecast Fiscal Year 2017	Variance Increase (Decrease)
Professional and Technical Services	\$154,000	\$163,000	\$178,000	\$139,000	(\$39,000)
Property Services	309,000	247,000	159,000	198,000	39,000
Travel and Meeting Expenses	11,000	9,000	10,000	10,000	0
Communication Costs	28,000	26,000	34,000	36,000	2,000
Utility Services	250,000	259,000	263,000	272,000	9,000
Tuition Payments	1,299,000	1,476,000	1,463,000	1,392,000	(71,000)
Pupil Transportation	171,000	172,000	166,000	157,000	(9,000)
Totals	\$2,222,000	\$2,352,000	\$2,273,000	\$2,204,000	(\$69,000)

Professional and technical services are anticipated to decrease in fiscal year 2017 due to expected decreases in legal fees, special education transportation and tuition payments to other districts and schools. Property services are forecast to increase from the prior fiscal year due to an increased amount expected to be spent for repairs and an increase in the cost of insurance. Travel and meeting expenses will remain relatively consistent with the prior fiscal year. Communication costs will increase slightly due to the reclassification of internet charges from professional and technical services. Utility services are anticipated to increase due to a fairly mild winter in the prior fiscal year and an increase in the cost of electric, water and sewage rates. Tuition payments are forecasted to decrease based upon the latest financial information from the Ohio Department of Education. Pupil transportation is anticipated to remain relatively consistent with the prior fiscal year.

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Supplies and Materials

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

	Actual Fiscal Year 2014	Actual Fiscal Year 2015	Actual Fiscal Year 2016	Forecast Fiscal Year 2017	Variance Increase (Decrease)
General Supplies, Library Books and Periodicals	\$204,000	\$195,000	\$229,000	\$185,000	(\$44,000)
Operations, Maintenance and Repair	8,000	16,000	79,000	86,000	7,000
Transportation	147,000	157,000	67,000	62,000	(5,000)
Textbooks	3,000	25,000	15,000	57,000	42,000
Totals	<u>\$362,000</u>	<u>\$393,000</u>	<u>\$390,000</u>	<u>\$390,000</u>	<u>\$0</u>

Supplies and materials are anticipated to remain relatively consistent with the prior fiscal year. General supplies, library books and periodicals are expected to decrease from the prior fiscal year due to the School District purchasing new elementary textbooks, which eliminated the need for some workbooks, which were purchased as instructional supplies. Operations, maintenance and repairs are expected to increase over the prior fiscal year due to additional work at the football field. Transportation expenditures are expected to decrease due to the continued decline in fuel and supply costs. Textbooks are expected to be purchased at a higher rate than in the prior fiscal year after years of not purchasing many. The School District purchased a large amount of textbooks for fiscal year 2017.

Capital Outlay

The costs of property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. In fiscal year 2017, the School District is forecasting capital outlays to increase, due to the School District entering into a bus purchase agreement for two buses in July 2016. The School District's copier lease ended in fiscal year 2016; this led to a decrease in forecasted expenditures for equipment.

Debt Service

During fiscal year 2014, the School District issued \$800,000 in tax anticipation notes at 2.50 percent due June 30, 2014. The School District paid \$11,000 in interest on these notes during fiscal year 2014.

During fiscal year 2015, the School District issued \$800,000 in tax anticipation notes at 2.10 percent due June 30, 2015. The School District paid \$8,000 in interest on these notes during fiscal year 2015.

During fiscal year 2016, the School District issued \$700,000 in tax anticipation notes at 3.46 percent due June 30, 2016. The School District paid \$8,000 in interest on these notes during fiscal year 2016. These notes were repaid with property tax revenues.

During fiscal year 2017, the School District issued \$300,000 in tax anticipation notes due June 30, 2017. The School District will pay \$5,000 in interest on these notes during fiscal year 2017. These notes will be repaid with property tax revenues.

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During fiscal year 2013, the School District received a \$1,018,000 solvency assistance advance. The School District paid \$509,000 in fiscal year 2014 and \$509,000 in fiscal year 2015.

During fiscal year 2014, the School District received a \$514,000 solvency assistance advance. The School District paid \$257,000 in fiscal year 2015 and \$257,000 in fiscal year 2016.

Other Objects

Other object expenditures consist of dues, fees, and liability insurance. Other object expenditures are forecast to increase slightly in fiscal year 2017 due to higher anticipated auditor and treasurer fees and election expenses.

Operating Transfers/Advances Out

For fiscal year 2017, a \$9,000 transfer is anticipated to close out a federal program grant and \$50,000 to subsidize the athletics fund. During fiscal year 2017, advances were made for a total of \$389,000 to other funds. This advance was repaid during fiscal year 2017.

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. The School District plans on having encumbered items at fiscal year-end specific to healthcare and utilities.

Note 9 – Capital Acquisition and Improvements Set-Aside

The School District is required by State statute to annually set aside in the general fund three percent of certain revenues 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 future years.

The set aside amount for fiscal year 2017 is forecasted to be \$183,000. The School District anticipates annual qualified expenditures and offsets to exceed the required set-aside amount in fiscal year 2017. Therefore, no reserve amount is forecasted.

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Note 10 - Levies

The School District has placed several levies on the ballot in the last 10 years. 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>Tax Year Expiration Date</u>	<u>Election Results</u>
November 2007	Bond Issue Combination	\$14,810,000	28 years	2035	Passed
November 2012	Operating	1 percent	5 years	2017	Failed
May 2013	Operating	4.85 Mills	Continuing	n/a	Passed

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 - Financial Planning and Supervision Commission

On May 14, 2013, the School District was declared to be in a state of “Fiscal Emergency” by the Auditor of State. Legislation effective September 1996, permitted this declaration due to the School District’s declining financial condition. In accordance with the law, a five-member Financial Planning and Supervision Commission has been established to oversee the financial affairs of the School District. The Commission is comprised of the State Superintendent of Public Instruction and the State Director of Budget and Management or their designees, and three appointed members. The appointments are made by the Governor of the State of Ohio, the State Superintendent of Public Instruction and the Trumbull County Auditor. The Commission’s primary charge is to develop, adopt and implement a financial recovery plan. Once the plan has been adopted, the Board of Education’s discretion is limited in that all financial activity of the School District must in accordance with the plan.

Note 13 - Information Related to Periods Beyond the Forecast Period

The School District is required to annually prepare and file a five-year financial plan with the Ohio Department of Education after approval by resolution of the Board of Education. 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. The plan filed with the Ohio Department of Education in October 2016 covered fiscal years 2017 through 2021 and assumes the continued operation of the School District. The plan assumes staff changes for fiscal years 2017 through 2021. At that time, the School District anticipated an accumulated operating surplus of \$1,163,000 by the end of fiscal year 2021.

The information presented in this note is less reliable than the information presented in the financial forecast and, accordingly, is presented for analysis purposes only. Furthermore, there can be no assurance that events and circumstances described in this note will occur.



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
MAY 23, 2017**