



Dave Yost • Auditor of State

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

**Financial Forecast
For the Fiscal Year Ending June 30, 2014**

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 January 31, 2014. 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 of \$514,000 for the fiscal year ending June 30, 2014.

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 2015 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 advances are received prior to June 30, 2014, 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 2014.

Each School District receiving certification of an operating deficit under 3316.08, Revised Code, is required to recommend to the Financial Planning and Supervision commission whether a tax levy should be placed on the ballot. After considering the recommendation and supporting documentation, the Commission must adopt a resolution either stating their intent to place a tax levy on the ballot or indicating their decision not to place a tax levy on the ballot at the current time. The forecast excludes any revenue that might be generated from a new tax levy.

DAVE YOST
Auditor of State

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Unice S. Smith
Chief of Local Government Services

April 1, 2014

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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, 2014. 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 management'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, 2011, 2012, and 2013 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 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.

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DAVE YOST
Auditor of State

January 31, 2014

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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, 2011 Through 2013 Actual;
For the Fiscal Year Ending June 30, 2014 Forecasted
General Fund

	Fiscal Year 2011 Actual	Fiscal Year 2012 Actual	Fiscal Year 2013 Actual	Fiscal Year 2014 Forecasted
Revenues				
General Property Tax	\$2,641,000	\$2,630,000	\$2,638,000	\$3,029,000
Tangible Personal Property Tax	10,000	11,000	0	0
Unrestricted Grants-in-Aid	5,085,000	5,404,000	5,245,000	5,145,000
Restricted Grants-in-Aid	44,000	43,000	39,000	161,000
Restricted Federal Grants-in-Aid-SFSF	515,000	212,000	0	0
Property Tax Allocation	984,000	749,000	567,000	590,000
All Other Revenues	497,000	526,000	575,000	543,000
<i>Total Revenues</i>	<u>9,776,000</u>	<u>9,575,000</u>	<u>9,064,000</u>	<u>9,468,000</u>
Other Financing Sources				
Proceeds from Sale of Notes	0	0	600,000	800,000
Solvency Assistance Advance	0	0	1,018,000	0
Advances In	0	590,000	0	0
<i>Total Other Financing Sources</i>	<u>0</u>	<u>590,000</u>	<u>1,618,000</u>	<u>800,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>9,776,000</u>	<u>10,165,000</u>	<u>10,682,000</u>	<u>10,268,000</u>
Expenditures				
Personal Services	5,024,000	5,220,000	5,023,000	4,640,000
Employees' Retirement/Insurance Benefits	1,853,000	1,969,000	1,836,000	1,780,000
Purchased Services	2,391,000	2,411,000	2,159,000	2,063,000
Supplies and Materials	539,000	490,000	364,000	392,000
Capital Outlay	8,000	0	2,000	13,000
Debt Service:				
Principal-Tax Anticipation Note	0	0	600,000	800,000
Principal-Solvency Assistance Advance	0	0	0	509,000
Interest	0	0	5,000	11,000
Other Objects	102,000	106,000	110,000	103,000
<i>Total Expenditures</i>	<u>9,917,000</u>	<u>10,196,000</u>	<u>10,099,000</u>	<u>10,311,000</u>
Other Financing Uses				
Advances Out	0	0	590,000	474,000
<i>Total Expenditures and Other Financing Uses</i>	<u>9,917,000</u>	<u>10,196,000</u>	<u>10,689,000</u>	<u>10,785,000</u>
<i>Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses</i>	(141,000)	(31,000)	(7,000)	(517,000)
Cash Balance July 1	182,000	41,000	10,000	3,000
Unencumbered/Unreserved Fund Balance (Deficit) June 30	<u>\$41,000</u>	<u>\$10,000</u>	<u>\$3,000</u>	<u>(\$514,000)</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, 2014

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 56 non-certified and 73 certificated personnel to provide services to approximately 1,168 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 January 31, 2014, 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 fiscal stabilization funds and education jobs funds are 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 each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate

Brookfield Local School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2014

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.

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 for any activity for which a fee is charged to external users for goods or services.

Internal Service Funds - Internal service funds account 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
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2014

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 appropriations 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 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

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. Tangible personal property used in businesses was taxed in calendar years prior to 2011. 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 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.

Brookfield Local School District
 Trumbull County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2014

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 2014 (the collection year) for real and public utility property taxes represents collections of 2013 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 2015 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 2014.

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>\$48.95</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 \$7.25 per \$1,000 of assessed valuation. The School District's total tax rate is \$56.70 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 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 \$26.72 per \$1,000 of assessed valuation for collection year 2014, and the effective commercial and industrial real property tax rate is \$30.59 per \$1,000 of assessed valuation for collection year 2014.

Brookfield Local School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2014

Public utility personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes. Tangible personal property used in businesses was taxed in calendar years prior to 2011. No tangible personal property taxes have been levied or collected after calendar year 2010. The State of Ohio reimburses 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).

General Property Tax - General property tax revenue includes real estate taxes, public utility property taxes and manufactured home taxes. The School District anticipates an increase of \$391,000 from the prior fiscal year due to the new operating levy, 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 22 mills for fiscal year 2011, 21 mills for 2012 and 2013, and 20 mills for 2014 and thereafter.

The State Department of Education, Division of School Finance calculated the annual funding, including the adequacy amount, and distributes a prorated share bi-monthly to the School District. In transitioning to the Ohio Evidence-Based Model, the gifted, enrichment, technology service support components and the charge off amount were phased in over a five year period. In addition, school districts were guaranteed 98 percent for 2011 of the total amount received from the 2009 fiscal year's State Foundation aid.

In fiscal year 2011, approximately nine percent of the adequacy funding was provided from a State Fiscal Stabilization grant received by the State of Ohio under the American Recovery and Reinvestment Act (Restricted Federal Grants-in-Aid) for the Brookfield Local School District.

Beginning in fiscal year 2012, the administration of Governor John Kasich proposed to move away from the Ohio Evidence Based Model to a new funding method. However, since a new funding mechanism was not formulated at that time, the administration decided to fund school districts in fiscal years 2012 and 2013 based on a transitional approach until a new formula could be devised. This transitional approach was referred to as the Bridge formula. The Bridge formula divides 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.

Brookfield Local School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2014

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 continues to use the current fiscal year count taken during the first full week of October. This amount is then multiplied by the State Share Index, which factors in the property wealth and the income of residents of the school district. These calculations are a multi-step process and are reflected on the School finance Payment Report (SFPR). School districts are guaranteed to the amount received for fiscal year 2013 (including transportation aid and funding for career technical education) and no school district will receive an increase greater than 6.25 percent for fiscal year 2014. Based on the most current foundation settlement, the Brookfield Local School District estimates \$5,087,000 in foundation funding.

Beginning in fiscal year 2013, the School District began receiving additional unrestricted grants-in-aid revenue due to casino revenue. The first three casinos opened in Ohio in calendar year 2012, with one more casino opening in 2013. Of the casino revenue collected by the State, 34 percent is distributed to school districts, based on student population. The School District anticipates casino revenue of \$58,000, for a total unrestricted grants-in-aid amount of \$5,145,000.

Restricted Grants-in-Aid

In past fiscal years, restricted grants-in-aid consisted of career technologies, bus purchase and catastrophic aid special education monies. Catastrophic aid is a supplemental payment to the School District for special education students in categories two through five whose educational and related expenses exceed \$27,375 and for special education students in category six whose educational and related expenses exceed \$32,850. For fiscal year 2014, the School District anticipates \$161,000 in career technologies monies.

Restricted Federal Grants-in-Aid

In fiscal year 2011, restricted federal grants-in-aid consisted of State Fiscal Stabilization Funds and the Education Jobs grant monies. In 2010, Ohio was allocated \$845 million from the American Recovery and Reinvestment Act in State Fiscal Stabilization Funds (SFSF) to help stabilize state and local budgets in order to minimize and avoid reductions in education and other essential services. SFSF for primary and secondary education is distributed to school districts as part of the foundation settlement payments twice a month. These funds have limited restrictions on their use. Brookfield Local School District received \$436,000 for fiscal year 2011, which was used for payment of teachers salaries. SFSF has not been reauthorized by the Federal government.

In 2010, Congress passed, and the President has signed, legislation that provides \$10 billion in resources to assist local school districts in saving or creating education jobs during fiscal years 2011 and 2012. The Education Jobs grant was to be used only for compensation and benefits and other expenses, such as support services, necessary to retain existing employees, to recall or rehire former employees, and to hire new employees, in order to provide early childhood, elementary, or secondary educational and related services. These funds had limited restrictions on their use. The Brookfield Local School District received \$79,000 and \$212,000 in fiscal years 2011 and 2012, respectively, and chose to use these funds for salaries for teachers. There are no restricted Federal grants-in-aid monies forecast for fiscal year 2014.

Brookfield Local School District
 Trumbull County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2014

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. Beginning in tax collection year 2008, the State expanded the homestead exemption to allow eligible homeowners to shield the first \$25,000 in market value from taxation. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs.

In fiscal year 2006, the State began reimbursing 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 of reductions through 2013. Beginning in fiscal year 2013, the reimbursements are gradually phased out. The reimbursement will be for the difference between the assessed values under prior law and the assessed values under House Bill 66. This means the School District is only reimbursed for the difference between the amounts that would have been received under the prior law and the amounts actually received as the phase-outs in House Bill 66 are implemented. For fiscal year 2014, the School District anticipates receiving \$156,000 of reimbursement for the tangible personal property tax phase-out. This is consistent with the amount received in fiscal year 2013.

Property tax allocation revenues consist of the following:

<u>Revenue Sources</u>	<u>Actual Fiscal Year 2011</u>	<u>Actual Fiscal Year 2012</u>	<u>Actual Fiscal Year 2013</u>	<u>Forecasted Fiscal Year 2014</u>	<u>Variance</u>
Homestead and Rollback	\$404,000	\$407,000	\$411,000	\$434,000	\$23,000
Utility Deregulation	56,000	0	0	0	0
Tangible Personal Property Loss Reimbursement	<u>524,000</u>	<u>342,000</u>	<u>156,000</u>	<u>156,000</u>	<u>0</u>
Totals	<u><u>\$984,000</u></u>	<u><u>\$749,000</u></u>	<u><u>\$567,000</u></u>	<u><u>\$590,000</u></u>	<u><u>\$23,000</u></u>

All Other Revenues

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

The slight decrease in open enrollment tuition revenue is due to the anticipated decrease in the number of students from other school districts attending the School District.

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.

The School District has several school buildings that were closed in prior fiscal years. During fiscal year 2014 the School District anticipates selling the old middle school and a land parcel, resulting in revenue from sale of capital assets.

Brookfield Local School District
 Trumbull County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2014

Refund of prior year expenditures for the forecasted fiscal year was based on the amount received to date for refunds and nothing more is anticipated.

Other miscellaneous revenues include vocational mileage and other revenue. This is expected to decrease slightly for fiscal year 2014.

All other revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2011	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Forecast Fiscal Year 2014	Variance
Open Enrollment and Other Tuition	\$359,000	\$309,000	\$309,000	\$288,000	(\$21,000)
Transportation Reimbursement	42,000	27,000	7,000	7,000	0
Interest on Investments	3,000	1,000	1,000	1,000	0
Student Class Fees	4,000	4,000	2,000	2,000	0
Rentals	26,000	13,000	14,000	14,000	0
Donations	2,000	7,000	9,000	8,000	(1,000)
Sale of Capital Assets	0	0	87,000	67,000	(20,000)
E-Rate Reimbursements	13,000	9,000	23,000	23,000	0
Medicaid School Program	17,000	20,000	21,000	20,000	(1,000)
Refund of Prior Year Expenditures	22,000	3,000	13,000	31,000	18,000
Other Revenue	9,000	133,000	89,000	82,000	(7,000)
Totals	\$497,000	\$526,000	\$575,000	\$543,000	(\$32,000)

Other Financing Sources

Proceeds from Sale of Notes – During fiscal year 2013, the School District issued \$600,000 in tax anticipation notes at an interest rate of 1.75 percent. During fiscal year 2014, the School District issued \$800,000 in tax anticipation notes at an interest rate of 2.50 percent

Solvency Assistance Advance – In fiscal year 2013, the School District received a Solvency Assistance Advance in the amount of \$1,018,000 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 will be repaid over two years from the State foundation revenues. The repayment of the advance will begin in fiscal year 2014.

Advances In – During fiscal year 2012, the general fund received an advance of \$590,000 from the classroom facilities fund. This advance was repaid during fiscal year 2013.

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

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Staffing levels for the last three fiscal years and the forecast period are displayed in the following chart.

The amounts represent full time equivalents.

	2011	2012	2013	2014
General Fund:				
Certified	60	65	63	62
Classified	41	42	47	45
Total General Fund	101	107	110	107
Other Funds:				
Certified	14	11	12	11
Classified	30	20	10	11
Total Other Funds	44	31	22	22
Totals	145	138	132	129

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, 2011 through June 29, 2014, and allows for no increase in the base salary for fiscal year 2014. Step increases ranging from 0 to 5 percent and for fiscal year 2014, the average step increase awarded was approximately 2.28 percent. Certified salaries are forecasted to decrease due to the replacement of 8 senior positions with entry level staff and one administrative retire/rehire at a lower annual salary. In addition to the replacement positions, there is one less overall certified position.

Classified salaries are based on a negotiated contract which includes base and step increases. The contract covers the period June 30, 2011 to June 30, 2014. The contract for fiscal year 2014 allowed for a 1 percent increase in base wages and step increases ranging from 0 to 2 percent. Classified salaries are forecasted to decrease due to two less positions. In addition, custodial staff was reduced and educational aides were increased. Custodial staff, on average, have a higher salary than educational aides, thus further decreasing classified salaries.

Substitutes are expected to remain consistent for the forecast period based on historical trends.

Supplemental salaries are based on a negotiated contract. Supplemental costs are expected to decrease from the prior fiscal year, mainly due to a reduction in salary in the personnel filling the positions in the current fiscal year.

Overtime is forecasted to remain consistent with the prior three year average.

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. Severance pay to certified employees amounts to a maximum of 90 days plus the addition of 7 or 15 bonus days if the employee uses equal to or less than the average of 10 or 5 sick days per year in the final three years of service. Certified severance is payable over two years. Payments to classified employees retiring from the School District are equal to one fourth of their unused sick leave not to exceed 100 days paid. Severance costs are anticipated to decrease in fiscal year 2014 due to less employees receiving a severance payment and from the final year of an early retirement incentive being paid out.

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Other salaries are comprised of attendance bonuses and insurance opt-out that is paid to staff. This line is anticipated to decrease during fiscal year 2014 due to the elimination of the classified insurance change incentive.

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

	Actual Fiscal Year 2011	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Forecast Fiscal Year 2014	Variance
Certified Salaries	\$3,604,000	\$3,771,000	\$3,474,000	\$3,233,000	(\$241,000)
Classified Salaries	902,000	865,000	917,000	861,000	(56,000)
Substitute Salaries	132,000	168,000	156,000	154,000	(2,000)
Supplemental Contracts	217,000	160,000	250,000	202,000	(48,000)
Overtime	18,000	18,000	26,000	21,000	(5,000)
Severance Pay	81,000	184,000	144,000	126,000	(18,000)
Board Members	6,000	7,000	7,000	7,000	0
Other Salaries and Wages	64,000	47,000	49,000	36,000	(13,000)
Totals	<u>\$5,024,000</u>	<u>\$5,220,000</u>	<u>\$5,023,000</u>	<u>\$4,640,000</u>	<u>(\$383,000)</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 health care benefits for employees earnings less than a minimum salary amount. STRS payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from differences between the estimated and actual expenditures 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 decrease for fiscal year 2014 due to the replacement of 8 senior positions with entry level staff.

In years past, employer contributions to SERS have 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 is for the School District to pay the six month arrearage by June 30, 2010, to become current. Option two is for SERS to spread the six month arrearage amount over the next six years adding this to the current payment. Brookfield Local School District has chosen option two, which will increase their annual payment by \$15,744 per year. The total arrearage amount is \$94,464.

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 twelve month period from July 1, 2013 to June 30, 2014. 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. The School District discontinued vision coverage effective September 1, 2011. Current health care rates are as follows:

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Single Rates:

	<u>Medical</u>	<u>Dental</u>	<u>Life</u>	<u>Total</u>
January 1, 2013 to June 30, 2013	\$476.89	\$36.28	\$4.75	\$517.92
July 1, 2013 to June 30, 2014	476.89	36.28	4.75	517.92

Family Rates:

	<u>Medical</u>	<u>Dental</u>	<u>Life</u>	<u>Total</u>
January 1, 2013 to June 30, 2013	\$1,240.84	\$118.76	\$4.75	\$1,364.35
July 1, 2013 to June 30, 2014	1,240.84	118.76	4.75	1,364.35

Full time employees of the School District contribute 5 to 10 percent of the premium for health insurance depending upon the employee's hire date. Part time employees of the School District contribute 40 percent of the premium for health and dental insurance. There was not a premium increase between the rates at the end of fiscal year 2013 and fiscal year 2014. Health care costs for fiscal year 2014 are forecasted to increase due to several employees switching from single coverage to family coverage.

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. The School District may choose to pay the entire premium in May or 45 percent in May and 55 percent in August. The School District chooses to split their premium between May and August. The forecasted amount for fiscal year 2014 increased due to an increase in the workers' compensation rate for calendar year 2012 from 1.1945 percent to 1.3374 percent. The School District paid 55 percent of the calendar year 2012 premium in August 2013. The increase was partially offset by a decrease in workers' compensation rate for calendar year 2013 from 1.3374 percent to 1.1393 percent. The first payment for calendar year 2013's premium will be paid in May 2014. Medicare is based on a percentage of wages for all employees hired after April 1, 1986.

Other benefits include unemployment claims, tuition reimbursement and annuity payments for the treasurer and the superintendent. Other benefits are expected to remain relatively consistent in fiscal year 2014.

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

	<u>Actual Fiscal Year 2011</u>	<u>Actual Fiscal Year 2012</u>	<u>Actual Fiscal Year 2013</u>	<u>Forecast Fiscal Year 2014</u>	<u>Variance</u>
Employer's Retirement	\$741,000	\$805,000	\$717,000	\$645,000	(\$72,000)
Health Care/Life Insurance	968,000	993,000	962,000	972,000	10,000
Workers' Compensation	73,000	72,000	73,000	76,000	3,000
Medicare	48,000	56,000	57,000	55,000	(2,000)
Other Benefits	23,000	43,000	27,000	32,000	5,000
Totals	<u>\$1,853,000</u>	<u>\$1,969,000</u>	<u>\$1,836,000</u>	<u>\$1,780,000</u>	<u>(\$56,000)</u>

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Purchased Services

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

	Actual Fiscal Year 2011	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Forecast Fiscal Year 2014	Variance
Professional and Technical Services	\$148,000	\$182,000	\$194,000	\$158,000	(\$36,000)
Property Services	206,000	209,000	212,000	222,000	10,000
Travel and Meeting Expenses	16,000	15,000	10,000	11,000	1,000
Communication Cost	32,000	35,000	27,000	28,000	1,000
Utility Services	263,000	292,000	257,000	252,000	(5,000)
Tuition Payments	1,603,000	1,511,000	1,282,000	1,234,000	(48,000)
Pupil Transportation	123,000	167,000	177,000	158,000	(19,000)
Totals	<u>\$2,391,000</u>	<u>\$2,411,000</u>	<u>\$2,159,000</u>	<u>\$2,063,000</u>	<u>(\$96,000)</u>

Professional and technical services are anticipated to decrease in fiscal year 2014 due to expenditures in fiscal year 2013 for energy analysis, that are not anticipated to reoccur. Property services are expected to increase due to additional expenditures for fleet repair and maintenance expected. Utility services are decreasing due to a decrease in consumption related to the selling of the old middle school. Tuition payments are anticipated to decrease as fewer students are anticipated to leave the district. Also recorded are the School District's payments to the Educational Service Center for the services provided and for students attending charter schools.

Supplies and Materials

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

	Actual Fiscal Year 2011	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Forecast Fiscal Year 2014	Variance
General Supplies, Library Books and Periodicals	\$181,000	\$266,000	\$149,000	\$176,000	\$27,000
Operations, Maintenance and Repair	34,000	(2,000)	0	0	0
Transportation	297,000	212,000	212,000	212,000	0
Textbooks	27,000	14,000	3,000	4,000	1,000
Totals	<u>\$539,000</u>	<u>\$490,000</u>	<u>\$364,000</u>	<u>\$392,000</u>	<u>\$28,000</u>

General supplies, library books and periodicals are forecasted to increase due to the School District needing to replace outdated materials. Operations, maintenance and repair of facilities and transportation are anticipated to remain the same as fiscal year 2013. Textbook expenditures are anticipated to increase slightly due to the need to replace outdated materials.

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Capital Outlay

The costs of property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. The School District is forecasting increases in equipment expenditures.

Debt

During fiscal year 2013, the School District issued \$600,000 in tax anticipation notes at 1.75 percent due June 30, 2013. The School District paid \$5,000 in interest on these notes during fiscal year 2013.

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 will pay \$11,000 in interest on these notes during fiscal year 2014. These notes are being repaid with property tax revenues. During fiscal year 2013, the School District received a \$1,018,000 solvency assistance advance. The School District will pay \$509,000 in fiscal year 2014 and \$509,000 in fiscal year 2015.

Other Objects

Other object expenditures consist of auditor and treasurer fees, membership dues and fees, insurance and awards. Other objects expenditures are forecasted in the amount of \$103,000 for fiscal year 2014.

Advances Out

For fiscal year 2014, \$474,000 in advances are anticipated to be made to various special revenue and capital projects funds to cover deficits at fiscal year-end. The advances are expected to be repaid within one year.

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 for the fiscal year 2014 are not expected.

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 2014 is forecasted to be \$197,000. The School District anticipates annual qualified expenditures and offsets to exceed the required set-aside amount in fiscal year 2014. Therefore, no reserve amount is forecasted.

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Note 10 - Levies

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

Date	Type	Amount	Term	Tax Year Expiration Date	Election Results
November 2003	Limited Operating	4 Mills	5 years	2008	Failed
May 2004	Continuing Operating	4 Mills	Continuing	n/a	Failed
November 2004	Continuing Operating	4 Mills	Continuing	n/a	Failed
February 2005	Continuing Operating	7 Mills	Continuing	n/a	Failed
May 2005	Continuing Operating	7 Mills	Continuing	n/a	Failed
November 2005	Emergency Operating	7 Mills	5 years	2010	Failed
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

Management is required to annually prepare and file a five-year financial plan with the Ohio Department 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 assumes the continued operation of the School District with slight decreases in revenues. The plan also assumes increases in salaries and benefits for fiscal years 2014 through 2018. The operating surplus increases to \$3,120,000 for fiscal year 2018.

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.

Brookfield Local School District
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Dave Yost • Auditor of State

BROOKFIELD LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 1, 2014**