

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

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2016*

DAVID DRAWL, TREASURER



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Brookfield Local School District, Trumbull County, prepared by Julian & Grube, Inc., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Brookfield Local School District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

February 10, 2017

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

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brookfield Local School District, Trumbull County, Ohio, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Brookfield Local School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Brookfield Local School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Brookfield Local School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Brookfield Local School District, Trumbull County, Ohio, as of June 30, 2016, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 21 to the basic financial statement, on May 14, 2013, the Auditor of State declared the Brookfield Local School District to be in a state of fiscal emergency as defined by Ohio Revised Code Section 3316.03(B)(1). We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted to opine on the Brookfield Local School District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016, on our consideration of the Brookfield Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Brookfield Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc
November 29, 2016

Brookfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

As management of the Brookfield Local School District (the School District), we offer readers of the School District's financial statements this narrative and analysis of the financial activities of the School District for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

- In total, net position decreased as a result of a decrease in capital assets due to current year depreciation and disposals outpacing current year additions coupled with an increase in the net pension liability.
- The capital asset additions for fiscal year 2016 included stadium renovations, a new truck, a snow plow and security cameras, among other items. Capital asset deletions included four parcels of land and various vehicles.
- In fiscal year 2016, certified staff received a one percent raise and an additional \$400 stipend.
- Debt obligations decreased during fiscal year 2016 due to annual general obligation debt and capital lease payments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements are comprised of three components: (1) government-wide statements, (2) fund financial statements, and (3) notes to the basic financial statements.

Government-wide Financial Statements The government-wide financial statements are designed to provide the reader with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the School District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statement distinguishes functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from those that are primarily supported through user charges (*business-type activities*). The School District has no business-type activities. The governmental activities of the School District include instruction, support services, extracurricular activities, operation of food services and interest and fiscal charges.

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Fund Financial Statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like the State and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. These fund financial statements focus on the School District's most significant funds. The School District's major governmental funds include the general fund and the bond retirement fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual*, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Fund A fiduciary fund is used to account for resources held for the benefit of parties outside the government. The fiduciary fund is not reflected in the government-wide financial statement because the resources of this fund are not available to support the School District's own programs. These funds use the accrual basis of accounting.

Notes to the Basic Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Table 1 provides a comparison of the School District's net position for 2016 compared to 2015.

Brookfield Local School District
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Table 1
 Net Position
 Governmental Activities

	2016	2015	Change
Assets			
Current and Other Assets	\$5,663,926	\$5,433,465	\$230,461
Capital Assets, Net	30,977,624	32,170,482	(1,192,858)
Total Assets	36,641,550	37,603,947	(962,397)
Deferred Outflows of Resources	1,281,687	835,298	446,389
Liabilities			
Current Liabilities	1,492,797	1,817,770	324,973
Long-Term Liabilities			
Due Within One Year	436,069	386,522	(49,547)
Due in More Than One Year:			
Net Pension Liability	13,024,354	11,623,963	(1,400,391)
Other Amounts	13,379,420	13,766,966	387,546
Total Liabilities	28,332,640	27,595,221	(737,419)
Deferred Inflows of Resources			
Property Taxes	4,135,554	4,161,983	26,429
Pension	980,843	2,100,201	1,119,358
Total Deferred Inflows of Resources	5,116,397	6,262,184	1,145,787
Net Position			
Net Investment in Capital Assets	18,036,050	18,891,069	(855,019)
Restricted for:			
Capital Projects	248,732	293,392	(44,660)
Debt Service	151,944	158,532	(6,588)
Other Purposes	1,115	46,642	(45,527)
Unrestricted (Deficit)	(13,963,641)	(14,807,795)	844,154
Total Net Position	\$4,474,200	\$4,581,840	(\$107,640)

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for

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For the Fiscal Year Ended June 30, 2016
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pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Current assets increased due to an increase in cash and cash equivalents despite the School District having slightly more expenditures than revenues during the fiscal year. The decrease in capital assets was due to current year depreciation and deletions outpacing additions to capital assets.

Current liabilities decreased during fiscal year 2016 due to decreases in intergovernmental payables from fewer outstanding liabilities at year end, in addition, the solvency assistance advance payable due to the final year being paid down. Long-term liabilities increased which can be attributed to increases in compensated absences payable and the net pension liability attributed to the School District.

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Table 2 shows the changes in net position for fiscal year 2016 compared to 2015.

Table 2
 Changes in Net Position
 Governmental Activities

	2016	2015	Change
Program Revenues			
Charges for Services and Sales	\$700,933	\$596,705	\$104,228
Operating Grants, Interest and Contributions	1,606,974	1,619,749	(12,775)
Capital Grants and Contributions	13,217	50,462	(37,245)
<i>Total Program Revenues</i>	<u>2,321,124</u>	<u>2,266,916</u>	<u>54,208</u>
General Revenues			
Property Taxes	4,095,770	3,669,626	426,144
Grants and Entitlements	5,958,425	5,796,362	162,063
Investment Earnings	596	1,280	(684)
Unrestricted Contributions	14,820	0	14,820
Miscellaneous	100,529	92,205	8,324
<i>Total General Revenues</i>	<u>10,170,140</u>	<u>9,559,473</u>	<u>610,667</u>
<i>Total Revenues</i>	<u>12,491,264</u>	<u>11,826,389</u>	<u>664,875</u>
Program Expenses			
Instruction:			
Regular	5,698,083	4,998,209	(699,874)
Special	1,420,715	1,409,126	(11,589)
Vocational	97,293	86,153	(11,140)
Support Services			
Pupil	728,121	596,155	(131,966)
Instructional Staff	158,351	276,669	118,318
Board of Education	20,525	21,949	1,424
Administration	988,901	1,059,366	70,465
Fiscal	328,244	338,454	10,210
Business	48,461	51,614	3,153
Operation and Maintenance of Plant	1,002,290	936,723	(65,567)
Pupil Transportation	552,845	850,027	297,182
Central	38,266	54,433	16,167
Operation of Food Services	489,716	485,474	(4,242)
Extracurricular Activities	370,089	349,973	(20,116)
Interest and Fiscal Charges	657,004	668,378	11,374
<i>Total Program Expenses</i>	<u>12,598,904</u>	<u>12,182,703</u>	<u>(416,201)</u>
<i>Change in Net Position</i>	(107,640)	(356,314)	248,674
Net Position Beginning of Year	4,581,840	4,938,154	(356,314)
Net Position End of Year	<u>\$4,474,200</u>	<u>\$4,581,840</u>	<u>(\$107,640)</u>

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As can be seen from Table 2, the School District relies heavily upon property taxes and State monies to support its operations. The School District also receives additional grant and entitlement funds to help offset operating costs.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. It increases as a result of new construction or collection from a new voted levy. Although school districts experience inflationary growth in expenses, tax revenue does not keep pace with the increased expenses due to House Bill 920. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00 and the School District would collect the same dollar value the levy generated in the year it passed. The 10 percent rollback on all residential/agricultural property and the 2.5 percent rollback on all owner occupied homes would reduce the amount of taxes paid.

Thus school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 32.79 percent of revenues for governmental activities for Brookfield Local School District in fiscal year 2016 versus 31.03 percent in fiscal year 2015.

Instruction expenses comprise the largest portion of all program expenses for the School District. These expenses pay for teacher salary and benefits which increase at set levels every year through negotiated agreements. The increase in regular instructional expenses was due to a one percent raise in certified staff salaries and an additional \$400 stipend. The School District realized a loss of \$392,800 on the sale of land; this loss was slightly offset by proceeds received of \$68,970.

The *statement of activities* shows the cost of program services and charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for 2016 compared to 2015. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Brookfield Local School District
Management's Discussion and Analysis
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Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2016		2015	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction:				
Regular	\$5,698,083	\$5,242,775	\$4,998,209	\$4,486,382
Special	1,420,715	253,609	1,409,126	259,279
Vocational	97,293	85,858	86,153	80,112
Support Services:				
Pupil	728,121	728,121	596,155	596,155
Instructional Staff	158,351	152,951	276,669	263,854
Board of Education	20,525	20,525	21,949	21,949
Administration	988,901	988,901	1,059,366	1,052,766
Fiscal	328,244	328,244	338,454	338,454
Business	48,461	48,461	51,614	51,614
Operation and Maintenance of Plant	1,002,290	914,280	936,723	880,387
Pupil Transportation	552,845	552,845	850,027	850,027
Central	38,266	38,266	54,433	54,433
Operation of Food Services	489,716	4,508	485,474	39,707
Extracurricular Activities	370,089	261,432	349,973	272,290
Interest and Fiscal Charges	657,004	657,004	668,378	668,378
Total	\$12,598,904	\$10,277,780	\$12,182,703	\$9,915,787

The dependence upon general revenues for governmental activities is apparent from Table 3. The majority of instructional activities are supported through property taxes and other general revenues.

Financial Analysis of the Government's Funds

Information about the School District's major funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. Due to increases in revenues from tuition and fees and unrestricted grants outpacing increases in expenditures due to regular instruction and pupil support services costs, the general fund had an increase in fund balance. The bond retirement fund had a slight decrease in fund balance resulting from debt payments.

General Fund Budgeting Highlights

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

During the course of fiscal year 2016, the School District amended its general fund budget numerous times. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

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For the general fund, the final budget basis revenue estimate was slightly lower than the original budget estimate. The change was attributed mainly to a decrease in budgeted intergovernmental revenue to more accurately reflect anticipated foundation revenues.

The final budget appropriations were higher than the original budget appropriations of the general fund. The change was attributed to increases in estimates for operational expenditures as the School District's current year requirements became more apparent.

Capital Assets and Long-term Obligations

Capital Assets

Table 4 shows fiscal 2016 balances compared to fiscal 2015.

Table 4
 Capital Assets at June 30
 Governmental Activities

	2016	2015
Land	\$776,351	\$1,169,151
Land Improvements	1,159,247	1,240,434
Buildings and Improvements	28,247,224	28,822,996
Furniture and Equipment	566,728	706,741
Vehicles	228,074	231,160
Total Capital Assets	\$30,977,624	\$32,170,482

The decrease in capital assets was due to the current year depreciation and deletions outpacing additional purchases. During fiscal year 2016, the School District completed additional stadium renovations and purchased a new truck, snow plow and security cameras among other items. For more information about the School District's capital assets, see Note 9 to the basic financial statements.

Long-term Obligations

Table 5 below summarizes the School District's long-term obligations.

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Management's Discussion and Analysis
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Unaudited

Table 5
Outstanding Long-Term Obligations at June 30
Governmental Activities

	2016	2015
General Obligation Bonds	\$13,105,028	\$13,422,364
Net Pension Liability	13,024,354	11,623,963
Capital Leases Payable	135,844	178,684
Compensated Absences	574,617	552,440
Total	\$26,839,843	\$25,777,451

On April 17, 2008, the School District issued \$14,810,729 in voted general obligation bonds for the purpose of paying the local share of school construction under the State of Ohio Classroom Facilities Assistance Program. The bonds were issued for a twenty-eight year period with a final maturity at January 15, 2036 and will be retired from the debt service fund. The net pension liability represents a liability to employees for pensions. GASB 68 assumes the liability is solely the obligation of the employer. For more information about the School District's long-term obligations, see Note 15 to the basic financial statements.

Current Related Financial Activities

On May 14, 2013, the School District was declared by the Auditor of State to be in a state of "fiscal emergency" based on an anticipated deficit at the end of fiscal year 2013. To provide funding for operations, the School District received interest free State solvency assistance advances during fiscal years 2013 and 2014 in the amounts of \$1,018,000 and \$514,000, that were repaid over fiscal years 2014/2015 and 2015/2016, respectively. With the assistance of the Financial Planning and Supervision Commission, the School District was able to put in place a recovery plan on September 10, 2013. The recovery plan included reductions to staff and other cost saving measures. The financial future of the School District will continue to face challenges as the School District continues to rely heavily upon property taxes as well as federal and state funding.

The School District remains dedicated to fiscal responsibility. The Board of Education and Administration continue to carefully plan in order to provide the resources and education required to meet student needs over the next several years.

Contacting the School District's Financial Management Personnel

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact David Drawl, Treasurer, Brookfield Local School District, 614 Bedford Road, Brookfield, Ohio 44403.

Brookfield Local School District*Statement of Net Position**June 30, 2016*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$700,140
Accounts Receivable	25,401
Intergovernmental Receivable	84,982
Inventory Held for Resale	5,300
Materials and Supplies Inventory	173
Property Taxes Receivable	4,847,930
Nondepreciable Capital Assets	776,351
Depreciable Capital Assets, Net	<u>30,201,273</u>
<i>Total Assets</i>	<u>36,641,550</u>
Deferred Outflows of Resources	
Pension	<u>1,281,687</u>
Liabilities	
Accounts Payable	45,139
Accrued Wages and Benefits	934,599
Intergovernmental Payable	188,923
Matured Compensated Absences Payable	30,057
Accrued Interest Payable	294,079
Long-Term Liabilities:	
Due Within One Year	436,069
Due In More Than One Year:	
Net Pension Liability (See Note 12)	13,024,354
Other Amounts	<u>13,379,420</u>
<i>Total Liabilities</i>	<u>28,332,640</u>
Deferred Inflows of Resources	
Property Taxes	4,135,554
Pension	<u>980,843</u>
<i>Total Deferred Inflows of Resources</i>	<u>5,116,397</u>
Net Position	
Net Investment in Capital Assets	18,036,050
Restricted for:	
Capital Projects	248,732
Debt Service	151,944
Other Purposes	1,115
Unrestricted (Deficit)	<u>(13,963,641)</u>
<i>Total Net Position</i>	<u><u>\$4,474,200</u></u>

See accompanying notes to the basic financial statements

Brookfield Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2016

	Program Revenues				Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants, Interest and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities					
Instruction:					
Regular	\$5,698,083	\$411,460	\$43,848	\$0	(\$5,242,775)
Special	1,420,715	0	1,167,106	0	(253,609)
Vocational	97,293	0	11,435	0	(85,858)
Support Services:					
Pupil	728,121	0	0	0	(728,121)
Instructional Staff	158,351	0	5,400	0	(152,951)
Board of Education	20,525	0	0	0	(20,525)
Administration	988,901	0	0	0	(988,901)
Fiscal	328,244	0	0	0	(328,244)
Business	48,461	0	0	0	(48,461)
Operation and Maintenance of Plant	1,002,290	21,324	53,469	13,217	(914,280)
Pupil Transportation	552,845	0	0	0	(552,845)
Central	38,266	0	0	0	(38,266)
Operation of Food Services	489,716	160,492	324,716	0	(4,508)
Extracurricular Activities	370,089	107,657	1,000	0	(261,432)
Interest and Fiscal Charges	657,004	0	0	0	(657,004)
Totals	\$12,598,904	\$700,933	\$1,606,974	\$13,217	(10,277,780)
General Revenues					
Property Taxes Levied for:					
General Purposes					3,219,940
Debt Service					823,464
Other Purposes					52,366
Grants and Entitlements not					
Restricted to Specific Programs					5,958,425
Unrestricted Contributions					14,820
Investment Earnings					596
Miscellaneous					100,529
Total General Revenues					10,170,140
Change in Net Position					(107,640)
Net Position Beginning of Year					4,581,840
Net Position End of Year					\$4,474,200

See accompanying notes to the basic financial statements

Brookfield Local School District

*Balance Sheet
Governmental Funds
June 30, 2016*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and				
Cash Equivalents	\$0	\$526,363	\$173,777	\$700,140
Accounts Receivable	23,222	0	2,179	25,401
Intergovernmental Receivable	31,988	0	52,994	84,982
Interfund Receivable	145,139	0	147,604	292,743
Inventory Held for Resale	0	0	5,300	5,300
Materials and Supplies Inventory	0	0	173	173
Property Taxes Receivable	3,813,375	973,212	61,343	4,847,930
<i>Total Assets</i>	<u>\$4,013,724</u>	<u>\$1,499,575</u>	<u>\$443,370</u>	<u>\$5,956,669</u>
Liabilities				
Accounts Payable	\$30,483	\$0	\$14,656	\$45,139
Accrued Wages and Benefits	759,150	0	175,449	934,599
Interfund Payable	0	0	292,743	292,743
Intergovernmental Payable	144,430	0	44,493	188,923
Matured Compensated Absences Payable	19,664	0	10,393	30,057
<i>Total Liabilities</i>	<u>953,727</u>	<u>0</u>	<u>537,734</u>	<u>1,491,461</u>
Deferred Inflows of Resources				
Property Taxes	3,244,503	838,345	52,706	4,135,554
Unavailable Revenue	582,251	131,339	61,405	774,995
<i>Total Deferred Inflows of Resources</i>	<u>3,826,754</u>	<u>969,684</u>	<u>114,111</u>	<u>4,910,549</u>
Fund Balances				
Nonspendable	0	0	173	173
Restricted	0	529,891	273,704	803,595
Unassigned (Deficit)	(766,757)	0	(482,352)	(1,249,109)
<i>Total Fund Balances (Deficit)</i>	<u>(766,757)</u>	<u>529,891</u>	<u>(208,475)</u>	<u>(445,341)</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$4,013,724</u>	<u>\$1,499,575</u>	<u>\$443,370</u>	<u>\$5,956,669</u>

See accompanying notes to the basic financial statements

Brookfield Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2016*

Total Governmental Fund Balances	(\$445,341)
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	30,977,624
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	
Delinquent Property Taxes	693,742
Intergovernmental	81,253
Total	774,995
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(294,079)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.	
Deferred Outflows - Pension	1,281,687
Deferred Inflows - Pension	(980,843)
Net Pension Liability	(13,024,354)
Total	(12,723,510)
Long-term liabilities payable are not due and payable in the current period and therefore are not reported in the funds.	
General Obligation Bonds	(13,105,028)
Capital Leases Payable	(135,844)
Compensated Absences	(574,617)
Total	(13,815,489)
<i>Net Position of Governmental Activities</i>	\$4,474,200

See accompanying notes to the basic financial statements

Brookfield Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$3,212,012	\$828,800	\$52,888	\$4,093,700
Intergovernmental	6,373,178	144,784	1,114,255	7,632,217
Interest	596	0	23	619
Tuition and Fees	383,125	0	0	383,125
Extracurricular Activities	28,335	0	107,657	135,992
Contributions and Donations	14,820	0	14,217	29,037
Charges for Services	0	0	160,492	160,492
Rentals	21,324	0	0	21,324
Miscellaneous	100,110	0	419	100,529
<i>Total Revenues</i>	<u>10,133,500</u>	<u>973,584</u>	<u>1,449,951</u>	<u>12,557,035</u>
Expenditures				
Current:				
Instruction:				
Regular	4,591,201	0	77,163	4,668,364
Special	828,995	0	645,318	1,474,313
Vocational	98,711	0	0	98,711
Support Services:				
Pupil	729,681	0	12,706	742,387
Instructional Staff	144,716	0	9,354	154,070
Board of Education	12,450	0	0	12,450
Administration	1,018,651	0	0	1,018,651
Fiscal	319,283	19,223	1,226	339,732
Business	48,953	0	0	48,953
Operation and Maintenance of Plant	822,627	0	186,781	1,009,408
Pupil Transportation	532,644	0	0	532,644
Central	34,302	0	0	34,302
Operation of Food Services	0	0	476,101	476,101
Extracurricular Activities	247,004	0	104,101	351,105
Debt Service:				
Principal Retirement	42,840	320,000	0	362,840
Interest and Fiscal Charges	7,737	650,813	0	658,550
<i>Total Expenditures</i>	<u>9,479,795</u>	<u>990,036</u>	<u>1,512,750</u>	<u>11,982,581</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>653,705</u>	<u>(16,452)</u>	<u>(62,799)</u>	<u>574,454</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	68,970	0	0	68,970
Transfers In	0	0	18,951	18,951
Transfers Out	(18,951)	0	0	(18,951)
<i>Total Other Financing Sources (Uses)</i>	<u>50,019</u>	<u>0</u>	<u>18,951</u>	<u>68,970</u>
<i>Net Change in Fund Balances</i>	703,724	(16,452)	(43,848)	643,424
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(1,470,481)</u>	<u>546,343</u>	<u>(164,627)</u>	<u>(1,088,765)</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$766,757)</u>	<u>\$529,891</u>	<u>(\$208,475)</u>	<u>(\$445,341)</u>

See accompanying notes to the basic financial statements

Brookfield Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2016*

Net Change in Fund Balances - Total Governmental Funds \$643,424

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Asset Additions	100,080
Current Year Depreciation	<u>(900,138)</u>

Total	(800,058)
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Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (392,800)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	2,070
Intergovernmental	<u>(67,841)</u>

Total	(65,771)
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Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 362,840

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued Interest on Bonds	4,210
Bond Accretion	(13,654)
Amortization of Premium on Bonds	<u>10,990</u>

Total	1,546
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Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 756,603

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (591,247)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (22,177)

Change in Net Position of Governmental Activities (\$107,640)

See accompanying notes to the basic financial statements

Brookfield Local School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$3,248,489	\$3,211,798	\$3,211,797	(\$1)
Intergovernmental	6,450,593	6,377,733	6,377,733	0
Interest	614	607	607	0
Tuition and Fees	387,502	383,125	383,125	0
Rentals	20,305	20,076	20,076	0
Miscellaneous	13,427	81,218	81,218	0
<i>Total Revenues</i>	<u>10,120,930</u>	<u>10,074,557</u>	<u>10,074,556</u>	<u>(1)</u>
Expenditures				
Current:				
Instruction:				
Regular	4,052,610	4,576,886	4,535,669	41,217
Special	731,610	818,129	810,764	7,365
Vocational	85,153	98,203	97,319	884
Support Services:				
Pupil	627,328	704,006	697,668	6,338
Instructional Staff	159,883	184,385	182,725	1,660
Board of Education	10,894	12,563	12,450	113
Administration	972,228	1,072,725	1,063,069	9,656
Fiscal	290,423	325,705	322,773	2,932
Business	59,814	47,300	46,874	426
Operation and Maintenance of Plant	989,161	829,374	821,907	7,467
Pupil Transportation	519,318	598,905	593,513	5,392
Central	30,195	34,822	34,509	313
Extracurricular Activities	216,919	250,163	247,911	2,252
Debt Service:				
Principal Retirement	957,000	957,000	957,000	0
Interest and Fiscal Charges	7,737	7,737	7,737	0
<i>Total Expenditures</i>	<u>9,710,273</u>	<u>10,517,903</u>	<u>10,431,888</u>	<u>86,015</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>410,657</u>	<u>(443,346)</u>	<u>(357,332)</u>	<u>86,014</u>
Other Financing Sources (Uses)				
Tax Anticipation Notes Issued	700,000	700,000	700,000	0
Sale of Capital Assets	68,970	68,970	68,970	0
Transfers Out	(18,951)	(18,951)	(18,951)	0
<i>Total Other Financing Sources (Uses)</i>	<u>750,019</u>	<u>750,019</u>	<u>750,019</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	1,160,676	306,673	392,687	86,014
<i>Fund Balance (Deficit) Beginning of Year</i>	(334,109)	(334,109)	(334,109)	0
Prior Year Encumbrances Appropriated	50,224	50,224	50,224	0
<i>Fund Balance End of Year</i>	<u>\$876,791</u>	<u>\$22,788</u>	<u>\$108,802</u>	<u>\$86,014</u>

See accompanying notes to the basic financial statements

Brookfield Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Private Purpose Trust	
	College Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$2,235	\$25,466
Liabilities		
Due to Students	0	\$25,466
Net Position		
Held in Trust for Scholarships	\$2,235	

See accompanying notes to the basic financial statements

Brookfield Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2016

	College Scholarship
Additions	
Contributions and Donations	\$600
Deductions	
Scholarships Awarded	1,500
<i>Change in Net Position</i>	(900)
<i>Net Position Beginning of Year</i>	3,135
<i>Net Position End of Year</i>	\$2,235

See accompanying notes to the basic financial statements

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 1 - Description of the School District

Brookfield Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's 3 instructional/support facilities staffed by 76 certified employees and 48 classified employees who provide services to 1,033 students and other community members.

On May 14, 2013, the Auditor of State declared the School District to be in a state of fiscal emergency as defined by Ohio Revised Code Section 3316.03(B)(1). In accordance with the law, a five-member Financial Planning and Supervision Commission was established to oversee all financial affairs of the School District. The Commission's primary charge is to develop, adopt and implement a financial recovery plan. The Commission is comprised of two appointees of the State Superintendent of Public Instruction, an appointee of the State Director of Budget and Management, an appointee of the Governor, and an appointee of the Trumbull County Auditor. Once the plan is adopted, the Board of Education's discretion is limited in that all financial activity of the School District must be in accordance with the plan.

The Financial Recovery Plan was adopted on September 10, 2013. Under State law, the School District must annually update its financial recovery plan. The recovery plan included personnel reductions during fiscal year 2013. See Note 21 for more information on the School District's fiscal emergency status.

Reporting Entity

A reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the School District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The School District is associated with two jointly governed organization and two shared risk pools. These organizations are the North Eastern Ohio Management Information Network, the Trumbull County Career and Technical Center, the Trumbull County Schools Employee Insurance Benefits Consortium and the Schools of Ohio Risk Sharing Authority. These organizations are presented in Notes 18 and 19 to the basic financial statements.

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The School District has no proprietary funds.

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

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

General Fund The general fund is the operating fund of the School District and is used to account and report for all financial resources except those required to be accounted for and reported in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond Retirement Fund The bond retirement fund accounts for and reports property tax revenues that are restricted for the payment of principal and interest and fiscal charges on general obligation debt.

The other governmental funds of the School District account for grants and other resources whose uses are restricted, committed or assigned to a particular purpose.

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

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

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

The private purpose trust fund is accounted for using the economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements for the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources and in the presentation of expenses versus expenditures.

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 17. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 12).

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the function and object level for the general fund and at the fund level for all other funds. The treasurer has been given the authority to allocate Board appropriations to the function and object level within all funds except the general fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the amended certificates that were in effect at the time when the original and final appropriations were passed by the Board of Education. Prior to June 30, the Board requested and received an amended certificate in which estimated revenue nearly matches actual revenue for the fiscal year.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents."

During fiscal year 2016, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their

Brookfield Local School District
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For the Fiscal Year Ended June 30, 2016

investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$596, all of which is assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Donated commodities are presented at their entitlement value. Inventories consist of donated and purchased food held for resale and materials and supplies held for consumption.

Capital Assets

All capital assets of the School District are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e. estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of one thousand five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	15 - 50 years
Furniture and Equipment	5 - 20 years
Vehicles	8 years

Brookfield Local School District
Notes to the Basic Financial Statements
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Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net position.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of service with the School District.

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

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employee who has accumulated unpaid leave is paid.

Accrued Liabilities and Long-term Obligations

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

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

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by State statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws, or regulations of other governments adopted by the School District. Net position restricted for other purposes include resources restricted for athletic activities and school lunch and breakfast programs.

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

Bond Premium

On the government-wide financial statements, bond premiums are deferred and amortized for the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On governmental fund statements, bond premiums are receipted in the year the bonds are issued.

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Estimates

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

Internal Activity

Transfers between governmental activities are eliminated on the government wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Note 3 – Accountability and Compliance

Accountability

Fund balances at June 30, 2016, included the following individual fund deficits:

General Fund	\$766,757
<i>Special Revenue Funds:</i>	
Classroom Facilities Maintenance	12,397
Athletics	28,103
Title VI-B	70,102
Title I	84,488
Reducing Class Size	12,251
Miscellaneous Federal Grants	13,760
<i>Capital Projects Fund:</i>	
Building	261,251

Management is currently analyzing the general fund to determine appropriate steps to alleviate the deficit. See Note 21 for more information.

The deficits listed in the special revenue funds and the capital projects fund above resulted from adjustments for accrued liabilities and negative cash fund balances. The general fund is liable for any deficit provides transfers when cash is required, not when accruals occur.

Compliance

The School District had negative cash fund balances in certain funds throughout the year, contrary to Section 5705.10 of the Ohio Revised Code.

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 4 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total
<i>Nonspendable</i>				
Materials and Supplies Inventory	\$0	\$0	\$173	\$173
<i>Restricted for</i>				
Food Service Operations	0	0	23,857	23,857
Data and Information Systems	0	0	1,051	1,051
Early Childhood Education	0	0	64	64
Debt Service Payments	0	529,891	0	529,891
Capital Improvements	0	0	248,732	248,732
<i>Total Restricted</i>	0	529,891	273,704	803,595
<i>Unassigned (Deficit)</i>	(766,757)	0	(482,352)	(1,249,109)
<i>Total Fund Balances (Deficit)</i>	(766,757)	\$529,891	(\$208,475)	(\$445,341)

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Budgetary revenues and expenditures of the public school support special revenue fund is classified to the general fund for GAAP reporting.
4. Short-term note proceeds and note principal retirement are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$703,724
Revenue Accruals	(17,789)
Tax Anticipation Note Proceeds	700,000
Expenditure Accruals	(270,488)
Principal Retirement	(700,000)
Perspective Difference:	
Public School Support	(7,229)
Encumbrances	(15,531)
Budget Basis	\$392,687

Note 6 - Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

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

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, note, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio;

Brookfield Local School District
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For the Fiscal Year Ended June 30, 2016

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At year end, \$224,866 of the School District's bank balance of \$634,298 was uninsured and uncollateralized. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a potential claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2016, the School District had STAR Ohio as an investment. STAR Ohio is being held with an amount of \$6,559 which is insured at net asset value per share. The average maturity is 49 days.

Credit Risk Star Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

Interest Rate Risk The School District has no policy that addresses interest rate risk. State Statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Note 7 - Property Taxes

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Brookfield Local School District
Notes to the Basic Financial Statements
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Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Trumbull County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2016, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2016, was \$14,880 in the general fund, \$3,528 in the bond retirement debt service fund and \$226 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2015, was \$14,665 in the general fund, \$3,670 in the bond retirement debt service fund and \$240 in the classroom facilities maintenance special revenue fund.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$112,474,120	90.83%	\$112,244,230	90.15%
Public Utility Personal	11,354,350	9.17	12,267,820	9.85
Total	\$123,828,470	100.00%	\$124,512,050	100.00%
Full Tax Rate per \$1,000 of assessed valuation	\$52.30		\$57.40	

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 8 - Receivables

Receivables at June 30, 2016, consisted of accounts, taxes, interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
SERS Overpayment Refund	\$28,259
Title I Grant	20,667
Title VI-B Grant	14,528
Miscellaneous Federal Grant	10,332
Class Size Reduction Grant	7,467
Medicaid	3,729
Total	\$84,982

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance 6/30/2015	Additions	Deductions	Balance 6/30/2016
Governmental Activities				
<i>Capital Assets not being Depreciated:</i>				
Land	\$1,169,151	\$0	(\$392,800)	\$776,351
<i>Capital Assets being Depreciated:</i>				
Land Improvements	1,696,506	0	0	1,696,506
Buildings and Improvements	31,839,255	60,094	0	31,899,349
Furniture and Equipment	1,712,471	10,122	0	1,722,593
Vehicles	773,143	29,864	(99,662)	703,345
<i>Total Capital Assets being Depreciated</i>	36,021,375	100,080	(99,662)	36,021,793
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(456,072)	(81,187)	0	(537,259)
Buildings and Improvements	(3,016,259)	(635,866)	0	(3,652,125)
Furniture and Equipment	(1,005,730)	(150,135)	0	(1,155,865)
Vehicles	(541,983)	(32,950)	99,662	(475,271)
<i>Total Accumulated Depreciation</i>	(5,020,044)	(900,138) *	99,662	(5,820,520)
<i>Total Assets being Depreciated, Net</i>	31,001,331	(800,058)	0	30,201,273
<i>Governmental Activities Capital Assets, Net</i>	\$32,170,482	(\$800,058)	(\$392,800)	\$30,977,624

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

*Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$781,779
Support Services:	
Pupil	1,438
Instructional Staff	8,257
Board of Education	8,210
Operation and Maintenance of Plant	8,480
Pupil Transportation	35,891
Central	4,336
Food Service Operation	28,970
Extracurricular Activities	22,777
Total Depreciation Expense	<u>\$900,138</u>

Note 10 - Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2016, if applicable, cannot be determined at this time.

School Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this may result in either a receivable to or a liability of the School District.

Litigation

The School District is not party to legal proceedings as of June 30, 2016.

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 11 - Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2016, the School District contracted with Schools of Ohio Risk Sharing Association (SORSA) for property and liability insurance.

General liability insurance is maintained in the amount of \$15,000,000 for each occurrence and \$17,000,000 in the aggregate.

The School District maintains fleet insurance in the amount of \$15,000,000 for any one accident or loss.

The School District maintains replacement cost insurance on buildings and contents. There is no longer a defined dollar amount. The certificate reads, "Total insured value as reported to SORSA, subject to \$200,100,000 all members aggregate, any one occurrence."

Settled claims have not exceeded commercial coverage in any of the past three years.

Employee Health Benefits

The School District has contracted with the Trumbull County Schools Employee Insurance Benefits Consortium to provide employee medical/surgical/prescription drug benefits. The Trumbull County Schools Employee Insurance Benefits Consortium is a shared risk pool comprised of sixteen Trumbull County school districts. Rates are set through a semi-annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims. Employees can choose between two different medical/surgical/prescription plans. The School District provides full-time employees hired in July 2008 and prior with 95 percent Board paid hospitalization and prescription drugs. For full-time employees hired after July 2008, the Board paid 90 percent of the premiums for hospitalization and prescription drugs. If the School District were to withdraw from the consortium, the district is responsible depending upon the reserve vs. claims. The School District provides dental coverage through the Trumbull County School Employee Insurance Benefits Consortium. The School District pays 100 percent of the dental premium for full-time employees.

Worker's Compensation

The School District pays the Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 12 – Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

Brookfield Local School District
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The net pension liability represents the School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

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Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$166,165 for fiscal year 2016. Of this amount \$10,705 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$590,438 for fiscal year 2016. Of this amount \$78,710 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

Brookfield Local School District
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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.04376100%	0.03868382%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.04081070%</u>	<u>0.03870039%</u>	
Change in Proportionate Share	<u>-0.00295030%</u>	<u>0.00001657%</u>	
Proportionate Share of the Net			
Pension Liability	\$2,328,699	\$10,695,655	\$13,024,354
Pension Expense	\$105,739	\$485,508	\$591,247

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$37,496	\$487,588	\$525,084
School District contributions subsequent to the measurement date	<u>166,165</u>	<u>590,438</u>	<u>756,603</u>
Total Deferred Outflows of Resources	<u>\$203,661</u>	<u>\$1,078,026</u>	<u>\$1,281,687</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$77,156	\$769,220	\$846,376
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>131,042</u>	<u>3,425</u>	<u>134,467</u>
Total Deferred Inflows of Resources	<u>\$208,198</u>	<u>\$772,645</u>	<u>\$980,843</u>

\$756,603 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2017	(\$69,887)	(\$174,443)	(\$244,330)
2018	(69,887)	(174,443)	(244,330)
2019	(70,065)	(174,442)	(244,507)
2020	<u>39,137</u>	<u>238,271</u>	<u>277,408</u>
Total	<u>(\$170,702)</u>	<u>(\$285,057)</u>	<u>(\$455,759)</u>

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Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$3,229,067	\$2,328,699	\$1,570,513

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

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Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	10 Year Expected Nominal Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$14,857,073	\$10,695,655	\$7,176,557

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Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2016, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

Note 13 - Postemployment Benefits

School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, prorated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the School District's surcharge obligation was \$19,607.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$19,607, \$9,595, and \$24,197, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

State Teachers Retirement System

Plan Description – The State Teachers Retirement System of Ohio (STRS Ohio) administers a cost-sharing multiple-employer defined benefit Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this

Brookfield Local School District
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plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015 and 2014 were \$0, \$0 and \$41,204, respectively. The full amount has been contributed for 2016, 2015 and 2014.

Note 14 – Short-Term Debt

The School District's note activity, including amounts outstanding and interest rates are as follows:

	Outstanding 6/30/2015	Additions	Deletions	Outstanding 6/30/2016
Tax Anticipation Note - 3.46%	\$0	\$700,000	(\$700,000)	\$0
FY 2014 Solvency Assistance Advance	257,000	0	(257,000)	0
Total Short-Term Debt	\$257,000	\$700,000	(\$957,000)	\$0

In fiscal year 2016, the School District issued and retired \$700,000 in tax anticipation notes for the purpose of paying current expenses. The tax anticipation notes were paid from the general fund with property tax revenue.

During fiscal year 2014, the School District received an interest free State solvency assistance advance in the amount of \$514,000. The State solvency assistance advance will be paid from the general fund with school foundation revenue. A liability for the notes is reflected in the general fund which received the proceeds. In fiscal year 2015, the School District paid \$257,000 and in fiscal year 2016, the School District paid the remaining \$257,000 to retire the fiscal year 2014 solvency assistance loan.

Brookfield Local School District
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Note 15 - Long-Term Obligations

Original issue amounts and interest rates of the School District's debt issues were as follows:

Debt Issue	Interest Rate	Original Issue	Year of Maturity
2008 OSFC Various Purpose Imp Bonds:			
Current Interest Serial Bonds	3.25% to 4.125%	\$2,370,000	2009 to 2018
Capital Appreciation Bonds	4.99 % to 5.30%	215,729	2016 to 2017
Current Issue Term Bonds	5.00 % to 5.25%	12,225,000	2019 to 2036

Changes in long-term obligations of the School District during fiscal year 2016 were as follows:

	Principal Outstanding 6/30/15	Additions	Deductions	Principal Outstanding 6/30/16	Amounts Due in One Year
General Obligation Bonds					
2008 OSFC Various Purpose Imp Bonds					
Serial Bonds	\$660,000	\$0	(\$245,000)	\$415,000	\$75,000
Capital Appreciation Bonds	215,729	0	(49,999)	165,730	165,730
Accretion on Capital Appreciation Bonds	95,438	13,654	(25,001)	84,091	84,091
Term Bonds	12,225,000	0	0	12,225,000	0
Unamortized Premium	226,197	0	(10,990)	215,207	0
Total General Obligation Bonds	13,422,364	13,654	(330,990)	13,105,028	324,821
Other Long-Term Obligations					
Net Pension Liability					
STRS	9,409,243	1,286,412	0	10,695,655	0
SERS	2,214,720	113,979	0	2,328,699	0
Total Net Pension Liability	11,623,963	1,400,391	0	13,024,354	0
Capital Lease Payable	178,684	0	(42,840)	135,844	44,038
Compensated Absences	552,440	45,859	(23,682)	574,617	67,210
Total Other Long-Term Obligations	12,355,087	1,446,250	(66,522)	13,734,815	111,248
Total Governmental Activities					
Long-Term Liabilities	\$25,777,451	\$1,459,904	(\$397,512)	\$26,839,843	\$436,069

Compensated absences will be paid from the general fund and the food service, classroom facilities maintenance, title VI-B, title I and reducing class size special revenue funds. Capital leases will be paid from the general fund. The School District pays obligations related to employee compensation from the fund benefiting from their service. See Note 12 for additional information related to the net pension liability.

On April 17, 2008, the School District issued \$14,810,729 in voted general obligation bonds which included serial, term and capital appreciation (deep discount) bonds in the amounts of \$2,370,000, \$12,225,000 and \$215,729, respectively. The general obligation bonds were issued for the purpose of paying the local share of school construction under the State of Ohio Classroom Facilities Assistance Program. The bonds were issued for a twenty-eight year period with a final maturity at January 15, 2036 and will be retired from the debt service fund.

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The serial, term and capital appreciation bonds remained outstanding at June 30, 2016. The capital appreciation bonds were originally sold at a discount of \$114,271, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2017.

The maturity amount of outstanding capital appreciation bonds at June 30, 2016 is \$255,000. The accretion recorded for 2016 was \$13,654, for a total outstanding bond liability of \$249,821 at June 30, 2016.

The term bonds will be repaid through annual debt service repayments during fiscal years 2019 through 2036. The term bonds maturing on January 15, 2036 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on January 15 in the years and in the respective principal amounts as follows:

Year	Issue			
	\$1,860,000	\$2,265,000	\$2,760,000	\$5,340,000
2019	\$425,000	\$0	\$0	\$0
2020	450,000	0	0	0
2021	480,000	0	0	0
2023	0	525,000	0	0
2024	0	550,000	0	0
2025	0	580,000	0	0
2027	0	0	640,000	0
2028	0	0	675,000	0
2029	0	0	705,000	0
2031	0	0	0	780,000
2032	0	0	0	820,000
2033	0	0	0	865,000
2034	0	0	0	910,000
2035	0	0	0	955,000
Total Mandatory Sinking Fund Payments	<u>1,355,000</u>	<u>1,655,000</u>	<u>2,020,000</u>	<u>4,330,000</u>
Amount due at Stated Maturity	<u>505,000</u>	<u>610,000</u>	<u>740,000</u>	<u>1,010,000</u>
Total	<u>\$1,860,000</u>	<u>\$2,265,000</u>	<u>\$2,760,000</u>	<u>\$5,340,000</u>
<i>Stated Maturity</i>	<u><i>1/15/2022</i></u>	<u><i>1/15/2026</i></u>	<u><i>1/15/2030</i></u>	<u><i>1/15/2036</i></u>

The School District's overall debt margin was zero with an unvoted debt margin of \$124,512 at June 30, 2016. The School District has been designated as an "approved special needs school district" by the Ohio Superintendent of Public Instruction. As a result, any portion of the otherwise non-exempt debt authorized by the School District's voters in excess of the 9 percent limitation is exempted from the limitation pursuant to Revised Code Section 133.06(D)(2). Principal and interest requirements to retire general obligation bonds are as follows:

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	General Obligation Bonds					
	Term		Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$0	\$624,600	\$75,000	\$17,025	\$165,730	\$89,270
2018	0	624,600	340,000	14,025	0	0
2019	425,000	624,600	0	0	0	0
2020	450,000	603,350	0	0	0	0
2021	480,000	580,850	0	0	0	0
2022-2026	2,770,000	2,520,500	0	0	0	0
2027-2031	3,540,000	1,755,000	0	0	0	0
2032-2036	4,560,000	742,874	0	0	0	0
Total	\$12,225,000	\$8,076,374	\$415,000	\$31,050	\$165,730	\$89,270

Note 16 - Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per year, depending upon length of service and hours worked. The Superintendent and Treasurer earn 20 days of vacation annually. Accumulated, unused vacation is paid to employees upon termination of employment. Teachers do not earn vacation.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, certificated employees with five or more years of service receive payment for twenty-five percent of the 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.

Life Insurance Benefits

The School District provides life insurance to all employees through VOYA Life Insurance in the amount of \$300,000 for the superintendent, \$200,000 for the treasurer, \$50,000 for other full-time employees and \$40,000 for part-time employees. Premiums are paid by the School District.

Note 17 - Interfund Balances and Transfers

Interfund balances at June 30, 2016, consist of the following individual fund receivables and payables:

Brookfield Local School District
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Interfund Payable	Interfund Receivable		Total
	General	Other Governmental Funds	
Athletics	\$28,732	0	\$28,732
Miscellaneous Federal Grants	2,760	0	2,760
Building	113,647	147,604	261,251
<i>Total Other Governmental Funds</i>	<u>145,139</u>	<u>147,604</u>	<u>292,743</u>
<i>Total</i>	<u>\$145,139</u>	<u>\$147,604</u>	<u>\$292,743</u>

Interfund receivables and payables at June 30, 2016, are due to the timing of the receipt of grant monies and monies collected for some programs received by various funds. The general fund provides money to operate the programs until grants and other monies are received and the advances can be repaid. Other governmental funds provide monies to other governmental funds after all general fund monies have been depleted. These loans are expected to be repaid in one year.

The general fund made transfers to the race to the top and the title idea B special revenue funds in the amounts of \$8,440 and \$10,511, respectively. These transfers were to help provide funding for fiscal year 2016.

Note 18 - Jointly Governed Organizations

North Eastern Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. The School District paid \$26,607 to NEOMIN during fiscal year 2016.

The Governing board consists of ten members: The Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County participating school districts, three superintendents from Trumbull County participating school districts, the fiscal agent or NEOMIN). The School District was not represented on the Governing Board during fiscal year 2016. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to NEOMIN, 528 Educational Highway, Warren, Ohio 44483.

Trumbull County Career and Technical Center The Trumbull County Career and Technical Center is a distinct political subdivision of the State of Ohio providing vocational needs of the students. The center is operated under the direction of a Board consisting of one representative from each of the twenty participating school districts' elected boards, which exercises total control over the operations of the Trumbull County Career and Technical Center including budgeting, appropriating, contracting and designating management. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. The School District did not contribute any amounts to the Trumbull County Career and Technical Center during fiscal year 2016. To obtain financial information write to the Trumbull County Career and Technical Center, Gary Ghizzoni, who serves as Treasurer, at 528 Educational Highway, Warren, Ohio 44483.

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 19 – Shared Risk Pools

Trumbull County Schools Employee Insurance Benefits Consortium The School District participates in the Trumbull County Schools Employee Insurance Consortium. This is a shared risk pool comprised of sixteen Trumbull County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Consortium. Consortium revenues are generated from charges for services.

Schools of Ohio Risk Sharing Authority The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), a risk sharing pool with over 65 members. SORSA is a 100 percent member-owned, non-profit insurance risk pool owned and governed by the school district members. SORSA is governed by a Board of Directors comprised of representatives of school districts that participate in the program.

SORSA has agreements with several separate organizations whereby each provides certain administrative, executive, accounting, marketing, underwriting, claim settlement, legal counsel and other services to SORSA and its members. Pursuant to participation agreements with SORSA, each member school district agrees to pay all funding rates associated with the coverage elected. This coverage includes comprehensive general liability, property insurance and automobile liability insurance. To obtain a copy of the SORSA financial statements, write SORSA Executive Director at 8050 North High Street, Suite 160, Columbus, Ohio 43235-6483.

Note 20 - Set-Aside Calculations

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

The following cash basis information describes the change in the fiscal year end set aside amount for capital acquisition. Disclosure of this information is required by State statute.

	Capital Improvements
Set-Aside Balance as of June 30, 2015	\$0
Current Year Set-aside Requirement	182,663
Current Year Offsets	(970,812)
Qualifying Disbursements	(152,704)
Total	(\$940,853)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set-Aside Balance as of June 30, 2016	\$0

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Although the School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

Note 21 – Financial Difficulties

On May 14, 2013, the Auditor of State declared the School District to be in a state of fiscal emergency as defined by Ohio Revised Code Section 3316.03(B)(1). Many factors have contributed to the School District's financial condition including significant reductions in State revenues, Statewide reductions in the funding formula as a result of the economic crisis, phase-out of the tangible personal property tax, increasing health care costs and a significant decline in growth on the local level.

During fiscal year 2013, the School District received an interest free State solvency assistance advance in the amount of \$1,018,000. The State solvency assistance advance was paid from the general fund with school foundation revenue. In each fiscal year 2014 and 2015, the School District paid \$509,000 to retire the solvency assistance advance.

During fiscal year 2014, the School District received an interest free State solvency assistance advance in the amount of \$514,000. The State solvency assistance advance was paid from the general fund with school foundation revenue. A liability for the note is reflected in the general fund which received the proceeds. In each fiscal year 2015 and 2016, the School District paid \$257,000 to retire the solvency assistance advance.

Note 22 – Capital Leases

The School District has an existing lease for the purchase of busses. The lease obligation meets the criteria of a capital lease and has been recorded on the government-wide statements. The original amounts capitalized for the capital lease and the book value as of June 30, 2016 follows:

	Amounts
Asset:	
Vehicles	\$226,521
Less: Accumulated Depreciation	(41,293)
Current Book Value	\$185,228

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2016.

	Governmental Activities
Fiscal Year Ending June 30	
2017	\$47,837
2018	47,837
2019	47,837
Total	143,511
Less: Amount Representing Interest	(7,667)
Present Value of Net Minimum Lease Payments	\$135,844

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 23 – Change in Accounting Principle

For fiscal year 2016, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application,” GASB Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,” GASB Statement No. 79, “Certain External Investment Pools and Pool Participants,” and GASB Statement No. 82, “Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73.”

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the School District’s fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 76 identifies-in the context of the current governmental financial reporting environment-the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the School District’s financial statements.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The School District participates in STAR Ohio which implemented GASB Statement No. 79 for fiscal year 2016. The School District incorporated the corresponding GASB 79 guidance into their fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School District’s fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

Note 24 - Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

Governmental Funds	
General	\$15,531
Other Governmental Funds	<u>11,189</u>
<i>Total Governmental Funds</i>	<u><u>\$26,720</u></u>

Required Supplementary Information

Brookfield Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the
Net Pension Liability
School Employees Retirement System of Ohio
*Last Three Fiscal Years (1)**

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.040811%	0.043761%	0.043761%
School District's Proportionate Share of the Net Pension Liability	\$2,328,699	\$2,214,720	\$2,602,326
School District's Covered Payroll	\$1,226,578	\$1,279,581	\$1,308,885
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	189.85%	173.08%	198.82%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available.

* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

Brookfield Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the
Net Pension Liability
State Teachers Retirement System of Ohio
*Last Three Fiscal Years (1)**

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.03870039%	0.03868382%	0.03868382%
School District's Proportionate Share of the Net Pension Liability	\$10,695,655	\$9,409,243	\$11,208,230
School District's Covered Payroll	\$4,030,007	\$3,948,564	\$4,124,646
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	265.40%	238.30%	271.74%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available.

* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

Brookfield Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$166,165	\$161,663	\$177,350	\$181,150
Contributions in Relation to the Contractually Required Contribution	<u>(166,165)</u>	<u>(161,663)</u>	<u>(177,350)</u>	<u>(181,150)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$1,186,893	\$1,226,579	\$1,279,581	\$1,308,885
Contributions as a Percentage of Covered Payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$180,635	\$169,262	\$165,913	\$118,341	\$121,847	\$130,016
<u>(180,635)</u>	<u>(169,262)</u>	<u>(165,913)</u>	<u>(118,341)</u>	<u>(121,847)</u>	<u>(130,016)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,343,008	\$1,346,554	\$1,225,352	\$1,202,651	\$1,240,808	\$1,217,378
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

Brookfield Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$590,438	\$564,201	\$513,313	\$536,204
Contributions in Relation to the Contractually Required Contribution	<u>(590,438)</u>	<u>(564,201)</u>	<u>(513,313)</u>	<u>(536,204)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$4,217,414	\$4,030,007	\$3,948,564	\$4,124,646
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	13.00%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$599,831	\$609,790	\$586,598	\$559,253	\$565,136	\$612,048
<u>(599,831)</u>	<u>(609,790)</u>	<u>(586,598)</u>	<u>(559,253)</u>	<u>(565,136)</u>	<u>(612,048)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$4,614,085	\$4,690,692	\$4,512,292	\$4,301,946	\$4,347,200	\$4,708,062
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

SUPPLEMENTARY INFORMATION

**BROOKFIELD LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) GRANT NUMBER	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Child Nutrition Cluster:			
(D) (E) School Breakfast Program	10.553	2016	\$ 82,242
(C) (D) National School Lunch Program - Food Donation	10.555	2016	27,082
(D) (E) National School Lunch Program	10.555	2016	211,002
Total National School Lunch Program			<u>238,084</u>
Total Child Nutrition Cluster			<u>320,326</u>
Total U.S. Department of Agriculture			<u>320,326</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Title I Grants to Local Educational Agencies	84.010	2015	36,974
Title I Grants to Local Educational Agencies	84.010	2016	369,456
Total Title I Grants to Local Educational Agencies			<u>406,430</u>
ARRA - (SFSF) - Race to the Top Incentive Grants, Recovery Act	84.395A	2015	7,143
Special Education_Grants to States	84.027	2015	54,207
Special Education_Grants to States	84.027	2016	249,064
Total Special Education _Grants to States			<u>303,271</u>
Improving Teacher Quality State Grants	84.367	2015	11,824
Improving Teacher Quality State Grants	84.367	2016	63,075
Total Improving Teacher Quality State Grants			<u>74,899</u>
Rural Education	84.358	2015	7,196
Rural Education	84.358	2016	21,661
Total Rural Education Grants			<u>28,857</u>
Total U.S. Department of Education			<u>820,600</u>
Total Federal Financial Assistance			<u>\$ 1,140,926</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass-through numbers for fiscal year 2016.
- (B) This schedule includes the federal award activity of the Brookfield Local School District under programs of the federal government for the fiscal year ended June 30, 2016 and is prepared in accordance with the cash basis of accounting. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Brookfield Local School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Brookfield Local School District.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (D) Included as part of the "Child Nutrition Cluster" in determining major programs.
- (E) Commingled with state and local revenue from sales of breakfast and lunches; assumed expenditures were made on a first-in, first-out basis.
- (F) CFR 200.414 allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. Brookfield Local School District has elected not to use the 10% de minimis indirect cost rate.



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**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brookfield Local School District, Trumbull County, Ohio as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Brookfield Local School District's basic financial statements and have issued our report thereon dated November 29, 2016, wherein we noted as described in Note 21, on May 14, 2013, the Auditor of State declared the Brookfield Local School District to be in a state of fiscal emergency as defined by Ohio Revised Code Section 3316.03(B)(1).

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Brookfield Local School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Brookfield Local School District's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Brookfield Local School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Board of Education
Brookfield Local School District

Compliance and Other Matters

As part of reasonably assuring whether the Brookfield Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

Brookfield Local School District's Response to Finding

The Brookfield Local School District's response to the finding identified in our audit is described in the accompanying corrective action plan. We did not audit the Brookfield Local School District's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Brookfield Local School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Brookfield Local School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
November 29, 2016



Julian & Grube, Inc.

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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Brookfield Local School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Brookfield Local School District's major federal programs for the fiscal year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Brookfield Local School District's major federal programs.

Management's Responsibility

The Brookfield Local School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Brookfield Local School District's compliance for each of the Brookfield Local School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Brookfield Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the Brookfield Local School District's major programs. However, our audit does not provide a legal determination of the Brookfield Local School District's compliance.

Board of Education
Brookfield Local School District

Opinion on Each Major Federal Program

In our opinion, the Brookfield Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2016.

Report on Internal Control Over Compliance

The Brookfield Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Brookfield Local School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Brookfield Local School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
November 29, 2016

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Title I Grants to Local Educational Agencies (CFDA #84.010) and Child Nutrition Cluster
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2 CFR § 200.520?</i>	No

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2016-001

Noncompliance - Ohio Revised Code

Ohio Revised Code Section 5705.10 in part requires that on a cash basis, no fund shall have a negative fund balance during the year or at year end.

At June 30, 2016, the District had the following negative fund balances:

	Negative Fund Balance	
	<u>June 30, 2016</u>	
<u>Nonmajor Funds:</u>		
Building	\$	261,251
Extracurricular Activities		28,732
Miscellaneous Federal Grants		2,760

By having a negative fund balance, this fund has spent other funds' balances. This could indicate insufficient monitoring of appropriations and related expenditures and continual review of cash management. No fund should have a negative cash fund balance throughout the year or at year end.

We recommend that the District properly expend monies only after funds have been received and subsequent to proper appropriation. If funds are anticipated, but not yet received and expenditures are necessary, the District should advance or transfer funds from the General Fund with proper Board approval. We recommend the District utilize its accounting software program to its fullest and continually review relevant reports to assist in preventing negative fund balances.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

None

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

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2016**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	The District will better monitor fund balances as it continues to improve its financial condition.	June 30, 2017	David Drawl, Treasurer

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016**

Finding Number	Year Initially Occurred	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2015-001	2015	<u>Material Weakness - Food Service Receipt Controls</u> - Proper controls over the receipt process help minimize the risk of loss. The District did not have effective controls over the food service receipts, did not timely submit for federal reimbursement for May/June and forfeited approximately \$37,000.	Yes	N/A
2015-002	2014	<u>Noncompliance</u> - Ohio Revised Code Section 5705.36, in part, requires School District Treasurers to certify to the County Auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. During the fiscal year ended June 30, 2015, the District's appropriations exceeded its estimated resources in certain funds.	Yes	N/A
2015-003	2014	<u>Noncompliance</u> - Ohio Revised Code Section 5705.39 in part requires that total appropriations from each fund should not exceed total estimated resources. The District had appropriations in excess of estimated resources at June 30, 2015 in the Title I, Building, Race to the Top, and IDEA Part B Grants nonmajor governmental funds.	Yes	N/A
2015-004	2014	<u>Noncompliance</u> - Ohio Revised Code Section 5705.10 in part requires that on a cash basis, no fund shall have a negative fund balance during the year or at year end. At June 30, 2015, the District had negative fund balances in the Building and Extracurricular Activities nonmajor governmental funds.	No	Repeated as Finding 2016-001; at June 30, 2016, the District had negative fund balances in the Building, Extracurricular Activities and Reducing Class Size nonmajor governmental funds. The noncompliance is recurring due to the financial difficulties the District is experiencing.

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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
FEBRUARY 23, 2017**