



Dave Yost • Auditor of State

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

**Financial Forecast
For the Fiscal Years Ending June 30, 2012 through June 30, 2016**

Local Government Services Section

Brookfield Local School District
Trumbull County

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Dave Yost • Auditor of State

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

and

Office of Finance Program Services
Ohio Department of Education
25 South Front Street
Columbus, Ohio 43215

CERTIFICATION

Pursuant to a request submitted to the Auditor of State by the Brookfield Local School District Board of Education to remove the School District from Fiscal Watch, the Auditor of State has determined that Brookfield local School District has **not** met the Guidelines for Release from Fiscal Watch as published by the Auditor of State and the Ohio Department of Education. Brookfield Local School District's status of Fiscal Watch is hereby continued.

Certification is hereby made that, based upon the requirement set forth in Section 3316.03, Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the financial forecast of the general fund of the Brookfield Local School District, Trumbull County, Ohio, and issued a report dated March 12, 2012. The forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecast reflects an operating deficit for the fiscal year ending June 30, 2012 of \$449,000.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2012 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. The forecasted operating deficit may be reduced to the extent tax advances are received prior to June 30, 2012 and to the extent the Board appropriates such advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2012.

DAVE YOST
Auditor of State

A handwritten signature in black ink that reads "Unice S. Smith".

Unice S. Smith
Chief of Local Government Services

April 12, 2012



Dave Yost • Auditor of State

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

Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the Brookfield Local School District for the fiscal years ending June 30, 2012 through 2016. The Brookfield Local School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

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

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

The statement of revenues, expenditures and changes in fund balance arising from cash transactions of the general fund for the fiscal years ended June 30, 2009, 2010 and 2011 were compiled by us and we have not audited or reviewed the accompanying financial statements, and, accordingly, we do not express an opinion or provide any assurance about whether the financial statements are in accordance with the cash basis of accounting. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements. Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that no material modifications that should be made to the financial statements. Management has chosen to omit the disclosures associated with the cash basis of accounting.

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

DAVE YOST
Auditor of State

March 12, 2012

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490

www.ohioauditor.gov

Brookfield Local School District
Trumbull County
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2009 Through 2011 Actual;
For the Fiscal Years Ending June 30, 2012 Through 2016 Forecasted
General Fund

	Fiscal Year 2009 Actual	Fiscal Year 2010 Actual	Fiscal Year 2011 Actual
Revenues			
General Property Tax	\$2,639,000	\$2,638,000	\$2,641,000
Tangible Personal Property Tax	132,000	19,000	10,000
Unrestricted Grants-in-Aid	5,656,000	5,280,000	5,085,000
Restricted Grants-in-Aid	87,000	35,000	44,000
Restricted Federal Grants-in-Aid-SFSF	0	359,000	515,000
Property Tax Allocation	982,000	949,000	984,000
All Other Revenues	400,000	380,000	497,000
<i>Total Revenues</i>	<u>9,896,000</u>	<u>9,660,000</u>	<u>9,776,000</u>
Other Financing Sources			
Advances-In	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Revenues and Other Financing Sources</i>	<u>9,896,000</u>	<u>9,660,000</u>	<u>9,776,000</u>
Expenditures			
Personal Services	4,883,000	4,878,000	5,024,000
Employees' Retirement/Insurance Benefits	1,980,000	1,841,000	1,853,000
Purchased Services	2,492,000	2,303,000	2,391,000
Supplies and Materials	372,000	429,000	539,000
Capital Outlay	30,000	0	8,000
Debt Service:			
Interest	0	8,000	0
Other Objects	85,000	118,000	102,000
<i>Total Expenditures</i>	<u>9,842,000</u>	<u>9,577,000</u>	<u>9,917,000</u>
Other Financing Uses			
Advances Out	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>9,842,000</u>	<u>9,577,000</u>	<u>9,917,000</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	54,000	83,000	(141,000)
Cash Balance (Deficit) July 1	<u>46,000</u>	<u>100,000</u>	<u>183,000</u>
Cash Balance (Deficit) June 30	100,000	183,000	42,000
Encumbrances and Reserves of Fund Balance			
Actual/Estimated Encumbrances June 30	80,000	0	0
Unencumbered/Unreserved Fund Balance (Deficit) June 30	<u>\$20,000</u>	<u>\$183,000</u>	<u>\$42,000</u>

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

<u>Fiscal Year 2012 Forecasted</u>	<u>Fiscal Year 2013 Forecasted</u>	<u>Fiscal Year 2014 Forecasted</u>	<u>Fiscal Year 2015 Forecasted</u>	<u>Fiscal Year 2016 Forecasted</u>
\$2,639,000	\$2,623,000	\$2,614,000	\$2,613,000	\$2,601,000
0	0	0	0	0
5,381,000	5,381,000	5,381,000	5,381,000	5,381,000
33,000	33,000	33,000	33,000	33,000
219,000	0	0	0	0
749,000	560,000	558,000	558,000	556,000
512,000	426,000	423,000	423,000	423,000
<u>9,533,000</u>	<u>9,023,000</u>	<u>9,009,000</u>	<u>9,008,000</u>	<u>8,994,000</u>
<u>0</u>	<u>24,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>9,533,000</u>	<u>9,047,000</u>	<u>9,009,000</u>	<u>9,008,000</u>	<u>8,994,000</u>
5,276,000	5,049,000	4,869,000	4,920,000	4,997,000
1,948,000	1,954,000	2,063,000	2,173,000	2,290,000
2,211,000	2,082,000	2,074,000	2,068,000	2,064,000
462,000	391,000	394,000	398,000	409,000
0	0	0	0	0
0	0	0	0	0
103,000	103,000	103,000	103,000	103,000
<u>10,000,000</u>	<u>9,579,000</u>	<u>9,503,000</u>	<u>9,662,000</u>	<u>9,863,000</u>
<u>24,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>10,024,000</u>	<u>9,579,000</u>	<u>9,503,000</u>	<u>9,662,000</u>	<u>9,863,000</u>
(491,000)	(532,000)	(494,000)	(654,000)	(869,000)
<u>42,000</u>	<u>(449,000)</u>	<u>(981,000)</u>	<u>(1,475,000)</u>	<u>(2,129,000)</u>
(449,000)	(981,000)	(1,475,000)	(2,129,000)	(2,998,000)
0	0	0	0	0
<u>(\$449,000)</u>	<u>(\$981,000)</u>	<u>(\$1,475,000)</u>	<u>(\$2,129,000)</u>	<u>(\$2,998,000)</u>

Brookfield Local School District

Trumbull County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2012 through June 30, 2016

Note 1 – The School District

The Brookfield Local School District (School District) is located in Trumbull County and includes all of Brookfield Township, Masury Township and the Village of Yankee Lake. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates four instructional buildings and an administrative building. The School District is staffed by 62 non-certified and 76 certificated personnel who provide services to 1,184 students and other community members.

Note 2 - Nature of the Forecast

This financial forecast presents, to the best of the Brookfield Local School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of March 12, 2012, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 – Nature of the Presentation

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund resources received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also require general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund. For presentation in the forecast, the general fund supported debt, the poverty based assistance, the school district fiscal stabilization funds and the education jobs funds are included in the general fund.

Note 4 - Summary of Significant Accounting Policies

Basis of Accounting

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

Brookfield Local School District

Trumbull County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2012 through June 30, 2016

Fund Accounting

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

Governmental Funds

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

Special Revenue Funds - Special revenue funds account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Fund - Debt service funds account for and report financial resources that are restricted, committed or assigned to payment of principal and interest.

Capital Projects Funds - Capital projects funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital outlays.

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

Proprietary Funds

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

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

Fiduciary Funds

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

Brookfield Local School District

Trumbull County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2012 through June 30, 2016

Budgetary Process

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

Budget – A budget of estimated cash receipts and disbursements is submitted to the Trumbull County Auditor, as secretary of the county budget commission, by January 20 of each year, for the succeeding fiscal year.

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

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

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

Note 5 - General Operating Assumptions

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

Note 6 - Significant Assumptions for Revenues and Other Financing Sources

General and Tangible Personal Property Taxes

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

Brookfield Local School District

Trumbull County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2012 through June 30, 2016

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. Property tax revenue received during calendar year 2012 (the collection year) for real and public utility property taxes represents collections of 2011 taxes (the tax year). Property tax payments have been phased out for tangible personal property (other than public utility property) and any future collections will be for delinquent taxes. First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is presented in the account "Property Tax Allocation".

Prior to fiscal year end, a school district may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances against the next fiscal year's scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal years 2012 through 2016.

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

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

The School District also has a classroom facilities levy equal to \$.50 per \$1,000 of assessed valuation and two debt service levies totaling \$6.90 per \$1,000 of assessed valuation. The School District's total tax rate is \$51.50 per \$1,000 of assessed valuation.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. Reduction factors are also adjusted to generate the same amount of property tax revenue on carryover property when there is a decline in the assessed valuation of property. For all voted levies, except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy) nor to tangible personal or public utility personal property levy rates. State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating levies (excluding emergency levies) plus inside millage used for operating purposes below 20 mills. For the general fund, the effective

Brookfield Local School District

Trumbull County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2012 through June 30, 2016

residential and agricultural real property tax rate is \$20.92 per \$1,000 of assessed valuation and the effective commercial and industrial real property tax rate is \$25.63 per \$1,000 of assessed valuation for collection year 2012.

Public utility personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes. Tangible personal property used in businesses was taxed in calendar years prior to 2011. No tangible personal property taxes have been levied or collected after calendar year 2010. The State of Ohio reimburses the School District for the loss of tangible personal property taxes as a result of these changes within certain limitations (see Property Tax Allocation Revenue below).

General Property Tax - General property tax revenue includes real estate taxes, public utility property taxes and manufactured home taxes. The amounts shown in the revenue section of the forecast represent gross property tax revenues and are based upon anticipated assessed valuations and existing tax levies. The anticipated assessed valuations take into account increases from reappraisals and updates that occurred in fiscal year 2011 (reappraisal) and will occur in fiscal year 2014 (update).

The School District anticipates decreases in general property tax revenues for the entire forecast period due to a decrease in assessed valuations when the reappraisal took place in fiscal year 2011. In fiscal year 2011, property taxes increased \$3,000 from the prior fiscal year due to new construction. In tax years 2011 and 2014, the Trumbull County Auditor will perform a sexennial reappraisal and a triennial revaluation for the School District, respectively, which is expected to decrease assessed valuations and real property tax receipts generated by the inside millage in collection years 2012 through 2016.

Unrestricted Grants-in-Aid

In fiscal year 2009, the State's foundation program, established by Chapter 3317 of the Ohio Revised Code, included formula aid and various categorical aid programs such as special and gifted education, career and technical education and transportation. Other programs such as parity aid, excess cost supplement and transitional aid guarantee provided to address certain policy issues or to correct flaws in formula aid, were also included in this revenue. The semi-monthly payments were calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM), times a per pupil foundation level, less the equivalent of 23 mills times the School District's taxable property valuation. The per pupil foundation level was set by State Legislature. The per pupil amount was increased by four base supplements called "building blocks." The building blocks were funding for intervention, professional development, data based decision making, and professional development for data based decision making.

The per pupil amounts for fiscal year 2009 is \$5,783 consisting of \$5,732 per pupil foundation level and \$51 of added building blocks.

Beginning in fiscal year 2010, the State General Assembly adopted a new funding method called the Ohio Evidence-Based Model (OEBM). The Ohio Evidence-based Model was established in Chapter 3306 of the Ohio Revised Code and linked educational research on academic achievement and successful outcomes with funding components to achieve results. It incorporated real financial data and socioeconomic factors to fund resources and implement proven school programs according to the student need to achieve educational adequacy. The adequacy amount is the sum of service support components for instruction, administrative, operations and maintenance, gifted and enrichment, professional development and an instructional materials factor. These factors are multiplied against the Ohio education challenge factor (a district's wealth factor) and the State-wide base salary for given positions and the number of positions funded. Other factors included in the calculation are student/teacher ratios,

Brookfield Local School District

Trumbull County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2012 through June 30, 2016

organizational units, and average daily membership (ADM). The adequacy amount was offset by the school district share of the adequacy amount (the charge off amount), which was equal to 22 mills for fiscal years 2010 and 2011, 21 mills for 2012 and 2013, and 20 mills for 2014 and thereafter.

The State Department of Education, Division of School Finance calculates the annual funding, including the adequacy amount, and distributes a prorated share bi-monthly to the School District. In transitioning to the Ohio Evidence-Based Model, the gifted, enrichment, technology service support components and the charge off amount were phased in over a five year period. In addition, school districts were guaranteed 99 and 98 percent, respectively, for 2010 and 2011 of the total amount received from the 2009 fiscal year's State Foundation aid.

In fiscal year 2010 and 2011, approximately six percent and nine percent, respectively, of the adequacy funding was provided from a State Fiscal Stabilization grant received by the State under the American Recovery and Reinvestment Act (see Restricted Federal Grants-in-Aid) for the Brookfield Local School District.

Beginning in fiscal year 2012, the administration of Governor John Kasich has proposed a move away from the Ohio Evidence Based Model to a new funding method. However, since a new funding mechanism is not formulated as of yet, the administration has decided to fund school districts in fiscal year 2012 based on a transitional approach until a new formula is devised. This transitional approach is referred to as the Bridge formula. The Bridge formula divides the fiscal year 2011 OEBM funding by a calculated ADM to determine the per pupil funding. The per pupil funding is then multiplied by the fiscal year 2012 ADM. The adequacy amount is offset by the school district share of the adequacy amount (the charge off amount), which is equal to 21 mills of property taxes for fiscal year 2012. In addition to this adjustment, each school district's fiscal year 2012 funding is further adjusted so that the district receives at least the total funding it received in fiscal year 2011 after subtracting the state fiscal stabilization funds from total funding as well as to provide financial incentives for high performing districts. For fiscal year 2012, the Brookfield Local School District estimates \$5,381,000 in adequacy funding which is an increase of \$296,000 based on the allocation allotted by the Ohio Department of Education. For fiscal years 2013 to 2016, the School District assumes that at least the 2012 funding level will be received.

Restricted Grants-in-Aid

Restricted grants-in-aid consisted of career tech monies. For fiscal year 2012, the School District anticipates \$33,000 in career tech monies. For fiscal years 2013 through 2016, the School District anticipates restricted grants-in-aid to remain consistent each year.

Restricted Federal Grants-in-Aid

In fiscal years 2010 and 2011, restricted federal grants-in-aid consisted of State Fiscal Stabilization Funds and the Education Jobs grant monies. In 2010, Ohio was allocated \$845 million from the American Recovery and Reinvestment Act in State Fiscal Stabilization Funds (SFSF) to help stabilize state and local budgets in order to minimize and avoid reductions in education and other essential services. SFSF for primary and secondary education was distributed to school districts as part of the foundation settlement payments twice a month. These funds had limited restrictions on their use. Brookfield Local School District received \$359,000 for fiscal year 2010 and \$436,000 for fiscal year 2011, which was used for administrative salaries and benefits. SFSF has not been reauthorized by the Federal government.

Brookfield Local School District

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2012 through June 30, 2016

In 2010, Congress passed, and the President has signed, legislation that provides \$10 billion in resources to assist local school districts in saving or creating education jobs during fiscal years 2011 and 2012. The Education Jobs grant may be used only for compensation and benefits and other expenses, such as support services, necessary to retain existing employees, to recall or rehire former employees, and to hire new employees, in order to provide early childhood, elementary, or secondary educational and related services. These funds have limited restrictions on their use. The Brookfield Local School District received \$79,000 for fiscal year 2011 and anticipates receiving \$219,000 in fiscal year 2012. The School District has used these funds in fiscal year 2011 for educational aids.

Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. Beginning in tax collection year 2008, the State expanded the homestead exemption to allow eligible homeowners to shield the first \$25,000 in market value from taxation. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs.

In fiscal year 2006, the State began reimbursing the School District for lost revenue due to the phase out of tangible personal property tax. In the first five years, the School District will be fully reimbursed relative to prior law for revenue lost due to the taxable value of reductions. Beginning in fiscal year 2012, the State of Ohio changed the reimbursement criteria for all entities. If the fiscal year 2011 reimbursement was less than 2 percent of total funding, the payments end effective for fiscal year 2012. For the School District, the funding was 5.69 percent of the total and the funding is forecast to continue at a set amount for fiscal years 2012 to 2017 when the reimbursement will end in entirety. For fiscal year 2012, the School District anticipates receiving \$342,000 of reimbursement for the tangible personal property tax phase-out based on information provided by the Department of Taxation.

Property tax allocation revenues consist of the following:

Revenue Sources	Forecasted				
	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
Homestead and Rollback	\$407,000	\$404,000	\$402,000	\$402,000	\$400,000
Tangible Personal Property					
Loss Reimbursements	342,000	156,000	156,000	156,000	156,000
Totals	<u>\$749,000</u>	<u>\$560,000</u>	<u>\$558,000</u>	<u>\$558,000</u>	<u>\$556,000</u>

All Other Revenues

All other revenues include tuition, open enrollment, transportation, interest on investments, rental, other revenue and Medicaid School Program (MSP).

The School District receives tuition from open enrollment tuition for students who reside in another School District and attend the Brookfield Local School District. Open enrollment tuition is anticipated to remain consistent throughout the forecast period.

Brookfield Local School District

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2012 through June 30, 2016

Interest is based on historical investment practices and anticipated rates and cash balances during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the greatest allocation being to the general fund. Interest revenue is expected to remain consistent each year during the forecast period due to the School District having expenditures in line with revenues.

Other revenue consists of land rentals, donations, other revenue, CAFS/MSP and the refund of prior year expenditures. For fiscal year 2012, the School District received a refund from the County Educational service center that is not anticipated in futures years. These are all expected to have minor fluctuations for the forecast period.

The Medicaid School Program (MSP) began July 1, 2009. This program is a collaborative effort between the Ohio Department of Job and Family Services as the state Medicaid agency and the Ohio Department of Education as the agency responsible for assuring that the Individuals with Disabilities Education Act is implemented by Schools. This program allows for the School District to recover part of the cost of delivering health related services to eligible special needs students.

All other revenues consist of the following:

Revenue Sources	Forecast				
	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
Tuition and Open Enrollment	\$303,000	\$303,000	\$303,000	\$303,000	\$303,000
Transportation	19,000	19,000	19,000	19,000	19,000
Interest on Investments	1,000	1,000	1,000	1,000	1,000
Rentals	26,000	26,000	26,000	26,000	26,000
Other Revenue	144,000	58,000	54,000	54,000	54,000
Medicaid School Program	19,000	19,000	20,000	20,000	20,000
Totals	<u>\$512,000</u>	<u>\$426,000</u>	<u>\$423,000</u>	<u>\$423,000</u>	<u>\$423,000</u>

Other Financing Sources

In prior years, the general fund was repaid advances made to grant funds. The general fund advanced money to the grant funds to prevent them from ending the year with a deficit balance. The School District anticipates receiving \$24,000 in advances for repayment during fiscal year 2013 of the forecast period.

Note 7 - Significant Assumptions for Expenditures and Other Financing Uses

Personal Services

Personal services expenditures represent the salaries and wages paid to certified employees, classified and administrative staff, substitutes, tutors, and board members. In addition to regular salaries, it includes payment for supplemental contracts, severance pay, retirement incentive, attendance bonus, and overtime. All employees receive their compensation on a bi-weekly basis. Administrative and non-bargaining unit salaries are set by the Board of Education. Staffing levels for the last three fiscal years and the current fiscal year staff levels are displayed in the chart below.

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Summary of Significant Assumptions and Accounting Policies For the Fiscal Years Ending June 30, 2012 through June 30, 2016

	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
General Fund:				
Certified	62	65	60	65
Classified	38	33	41	42
Total General Fund	100	98	101	107
Other Funds:				
Certified	12	14	14	11
Classified	23	29	30	20
Total Other Funds	35	43	44	31
Totals	135	141	145	138

The School District is not anticipating any changes in staffing levels throughout the forecast period.

Certified (teaching) staff salaries are based on a negotiated contract which includes base and step increases. The contract covers the period of June 30, 2011 through June 29, 2014, and allows for a one percent increase in the base salary for fiscal year 2012 and no increase in the base salary for fiscal year 2013. Step increases range from two to five percent for the period covered and for fiscal year 2012, the average step awarded was approximately 4 percent. This results in an average compensation increase of 5 percent for fiscal year 2012. The contract gives the union the right to open the contract for negotiations on salary only for fiscal year 2014. The School District has assumed annual base salary increases of one percent and step increases similar to the current negotiated agreements for the fiscal years 2014 through 2016. The impact of the increases are forecast to be partially offset by higher paid employees retiring and being replaced by employees at the lower end of the wage scale. The School District anticipates employees to leave once they reach 35 years of service and to be replaced with an entry level position employee. This is based on the assumption as teachers pensions become fully realized, the teachers will retire. There are seven teachers that will reach 35 years of service in the next five years. For fiscal year 2013, there will be 4 teachers that will reach 35 years of service and have been removed from our calculation and replaced. Total savings from this change amounts to \$123,000. This assumption causes the fluctuations in the certified salaries.

Classified salaries are based on a negotiated contract which includes base and step increases. The contract covers the period beginning June 30, 2011 through June 30, 2014. The contract allows for a one percent increase in base wages for fiscal years 2012 through 2014. Step increases range from one to two percent for the period covered. Classified employees are forecasted to have an annual base salary increase of one percent for the forecasted years 2015 and 2016. The impact of the increases are forecast to be partially offset by higher paid employees retiring and being replaced by employees at the lower end of the wage scale.

Supplemental salaries are based on a negotiated contract. The contract allows for a one percent increase in base wages for fiscal year 2012 and a one percent increase has been forecasted for fiscal years 2014 through 2016.

The School District offers severance pay upon retirement to its certified and classified employees with at least ten years of service in the School District. Payments to certified employees are equal to one-fourth of the employee's total sick leave accumulation, up to a maximum payment of 60 days for certified employees. Payments to classified employees equal to \$40 per sick leave day, up to 240 days if worked 30 hours or more per week and \$30 per sick leave day, up to 240 days if worked less than 30 hours per week.

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The School District offered a retirement incentive of \$5,000 to classified employees who became eligible to retire in SERS at the end of fiscal year 2011. In order to obtain the incentive amount the classified employee must retire no later than August 1, 2011. An incentive was not offered to certified employees and the School District does not anticipate continuing this into new contracts.

The School District anticipates an increase in certified and classified severance and retirement incentive payments during fiscal year 2012 due to seven certified and three classified employees that were being paid severance in the current fiscal year. Severance and retirement incentive payments are forecasted based on the estimated certified retirees times an average severance amount for fiscal years 2013 through 2016. The School District does not anticipate making severance and retirement incentive payments for classified employees for fiscal years 2013 through 2016.

Presented below is a comparison of salaries and wages for fiscal years 2012 through 2016.

	Forecasted				
	Fiscal Year				
	2012	2013	2014	2015	2016
Certified Salaries	\$3,810,000	\$3,665,000	\$3,547,000	\$3,615,000	\$3,664,000
Classified Salaries	918,000	912,000	923,000	936,000	946,000
Substitute Salaries	148,000	148,000	148,000	148,000	148,000
Supplemental Contracts	209,000	209,000	211,000	213,000	215,000
Severance Pay and Retirement Incentive	183,000	107,000	32,000	0	16,000
Board Members	8,000	8,000	8,000	8,000	8,000
Totals	<u>\$5,276,000</u>	<u>\$5,049,000</u>	<u>\$4,869,000</u>	<u>\$4,920,000</u>	<u>\$4,997,000</u>

Employees' Retirement/Insurance Benefits

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

Retirement costs are based on the employers' contribution rate of 14 percent of salaries for STRS and SERS and an additional SERS surcharge levied to fund healthcare benefits for employees earning less than a minimum salary amount. STRS and SERS payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from differences between the estimates and the actual amounts are prorated over the next calendar year for STRS and the next fiscal year for SERS. The School District pays the employee's retirement contributions for the Treasurer and Superintendent. Retirement costs are anticipated to increase for 2012 and follow the fluctuations in total salaries.

Hospitalization, vision, life, and dental health care costs are based on monthly premiums set by the Trumbull County Schools Insurance Consortium. Health care premiums are currently set for a six month period from January 2012 to June 2012. All funds are charged for the number of employees participating in the program and the type (single or family) of coverage provided to each employee. The health care program includes medical/surgical, prescription drug, and dental care. The School District discontinued vision coverage effective September 1, 2011. In fiscal year 2012, health care costs are expected to increase from a ten percent increase on July 1, 2011 and a second increase by an additional thirteen percent on January 1, 2012. Premiums are anticipated to increase by ten percent in fiscal years 2013 through 2016 based upon historical trends for the area. Current healthcare rates are as follows:

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Single Rates:

	Medical	Dental	Vision	Life	Total
July 1, 2011 to December 31, 2011	\$422.03	\$37.02	\$1.85	\$4.00	\$464.90
January 1, 2012 to June 30, 2011	476.89	37.02	0.00	4.00	517.91

Family Rates:

	Medical	Dental	Vision	Life	Total
July 1, 2011 to December 31, 2011	\$1,098.09	\$121.18	\$4.76	\$5.00	\$1,229.03
January 1, 2012 to June 30, 2011	1,240.84	121.18	0.00	5.00	1,367.02

Employees of the School District contribute 5 to 10 percent of the premium for health insurance depending upon the employees hire date.

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. The School District may choose to pay the entire premium in May or 45 percent in May and 55 percent in September. The School District chooses to split their premium between May and September. The School District forecasts workers' compensation to increase slightly each year in the forecast period due to the increase in salaries.

Medicare is forecasted to increase over the forecasted period because of the increase in salaries. Other benefits include social security, unemployment and tuition reimbursement. Teachers are reimbursed for tuition expenses involved in continuing their education.

Presented below is a comparison of employees' retirement and insurance for the fiscal years 2012 through 2016:

	Forecasted				
	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2014
Employer's Retirement	\$765,000	\$720,000	\$728,000	\$727,000	\$721,000
Health Care/Life Insurance	1,016,000	1,106,000	1,207,000	1,317,000	1,439,000
Workers' Compensation	74,000	59,000	59,000	58,000	58,000
Medicare	50,000	47,000	47,000	49,000	49,000
Other Benefits	43,000	22,000	22,000	22,000	23,000
Totals	\$1,948,000	\$1,954,000	\$2,063,000	\$2,173,000	\$2,290,000

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Purchased Services

Presented below is a comparison of purchased service expenditures for fiscal years 2012 through 2016:

	Forecast				
	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
Professional and Technical Services	\$162,000	\$123,000	\$123,000	\$123,000	\$123,000
Property Services	206,000	128,000	130,000	131,000	133,000
Travel and Meeting Expenses	16,000	17,000	18,000	18,000	19,000
Communication Costs	32,000	32,000	32,000	32,000	32,000
Utility Services	201,000	207,000	213,000	220,000	226,000
Tuition and Other Similar Payments	1,458,000	1,439,000	1,422,000	1,408,000	1,395,000
Other Purchased Services	136,000	136,000	136,000	136,000	136,000
Totals	<u>\$2,211,000</u>	<u>\$2,082,000</u>	<u>\$2,074,000</u>	<u>\$2,068,000</u>	<u>\$2,064,000</u>

Purchased services are anticipated to decrease each year of the forecast. A major reason for the change is from a decrease in legal fees from the State Employees Relations Board settlement that has been finalized. The School District also had nonrecurring expenditures in the current fiscal year for moving from the old building to the new building and the purchase of maintenance tools. These expenses amounted to \$114,000. The School District also anticipates having less students leaving due to open enrollment because of the opening of the new building.

Supplies and Materials

The following table is a comparison of the supplies and materials expenditures for fiscal years 2012 through 2016:

	Forecast				
	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
General Supplies, Library Books and Periodicals	\$254,000	\$181,000	\$183,000	\$185,000	\$186,000
Operations, Maintenance and Repair	194,000	196,000	197,000	199,000	209,000
Textbooks	14,000	14,000	14,000	14,000	14,000
Totals	<u>\$462,000</u>	<u>\$391,000</u>	<u>\$394,000</u>	<u>\$398,000</u>	<u>\$409,000</u>

General supplies, library books and periodicals are forecasted to be higher in fiscal year 2012 due to the need to replenish supplies from the opening of the new building. Operations, maintenance and repair is anticipated to increase due to the School District replenishing custodial supplies each year and the cost of diesel fuel slightly increasing. The amount spent on textbooks is expected to remain at the fiscal year 2012 level for the entire forecast period. This is due to the School District's replacement of textbooks that are out-dated.

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Capital Outlay

The acquisition or construction of property, plant and equipment acquired or used for instructional and support services is recorded as capital outlay. The School District does not anticipate the need to purchase any capital related items during the forecast period from the general fund. If an expenditure is made, it will be from a capital projects fund. The forecast is expected to remain consistent for the forecast period.

Other Objects

Other object expenditures consist of auditor and treasurer fees, membership dues and fees, insurance and awards. These amounts are forecast to remain consistent each year of the forecast.

Advances Out

Advances in the amount of \$24,000 are anticipated during fiscal year 2012 of the forecast period. The advances are for grant monies in two grant funds in which the funds will receive revenues at a later date. The advances are expected to be repaid within one year.

Note 8 - Encumbrances

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

The District did not have encumbrances for purchased services, supplies and materials, capital outlay and other objects for fiscal years 2010 and 2011. Encumbrances for fiscal year 2012 through 2016 are anticipated to remain at the same level.

Note 9 - Capital Acquisition and Improvements Set-Aside

The School District is required by State statute to annually set aside in the general fund three percent of certain revenues for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The set aside amount required is approximately \$181,000 for fiscal year 2012 and is anticipated to increase by 1.5 percent through 2016. Annual offsets are anticipated from classroom facilities maintenance levies and general obligation bond proceeds; therefore, no reserve amount is anticipated for the forecast period.

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Note 10 - Levies

Since 2001, the School District has placed several levies on the ballot. The type of levy, millage amount, term, expiration date and election results are as follows:

<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Term</u>	<u>Tax Year Expiration Date</u>	<u>Election Results</u>
November 2003	Limited Operating	4 Mills	5 years	2008	Failed
May 2004	Continuing Operating	4 Mills	Continuing	n/a	Failed
November 2004	Continuing Operating	4 Mills	Continuing	n/a	Failed
February 2005	Continuing Operating	7 Mills	Continuing	n/a	Failed
May 2005	Continuing Operating	7 Mills	Continuing	n/a	Failed
November 2005	Emergency Operating	7 Mills	5 years	2010	Failed
November 2007	Bond Issue Combination	\$14,810,000	28 years	2035	Passed

Note 11 – Pending Litigation

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

Note 12 – Other Funds

The School District has numerous other funds that account for resources that are restricted for specific purposes. All funds, except for two grant funds in fiscal year 2012, are anticipated to have sufficient resources to meet their obligations during the forecasted period. The general fund will make an advance to those funds during fiscal year 2012 and those funds will advance those monies back during fiscal year 2013. The classroom facilities fund accounts for construction of school facilities and it is forecasted that this fund will remain solvent throughout the forecast period.

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Dave Yost • Auditor of State

BROOKFIELD LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 12, 2012**