Dave Yost • Auditor of State

Brookfield Local School District
Trumbull County, Ohio

Fiscal Emergency Termination

Local Government Services Section

Brookfield Local School District
Trumbull County

Fiscal Emergency Termination

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Dave Yost · Auditor of State

CERTIFICATION

Pursuant to a request submitted to the Auditor of State by the Brookfield Local School District Financial Planning and Supervision Commission, the Auditor of State performed an analysis of the Brookfield Local School District to determine whether the Commission and its functions under Chapter 3316 of the Ohio Revised Code should be terminated. Based on our analysis, the Auditor of State certifies that the Brookfield Local School District no longer meets the fiscal emergency conditions set forth in Section 3316.03(B), Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 3316.10 of the Revised Code has been implemented, that the Board of Education has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be non-adverse. Therefore, the existence of the Brookfield Local School District Financial Planning and Supervision Commission and its role in the operation of the Brookfield Local School District is terminated as of April 13, 2018.

Accordingly, this report is hereby submitted to the Brookfield Local School District Board of Education, the Financial Planning and Supervision Commission, John Kasich, Governor, Timothy S. Keen, Director of the Office of Budget and Management, Adrian Biviano, Trumbull County Auditor and Paolo DeMaria, State Superintendent of Public Instruction.

Dave Yost

DAVE YOST
Auditor of State

April 13, 2018

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At the request of the Financial Planning and Supervision Commission of the Brookfield Local School District (the Commission), Trumbull County, Ohio, as provided by Section 3316.16(B) of the Ohio Revised Code, the Auditor of State has performed an analysis to determine whether this Commission and its functions under Chapter 3316 of the Ohio Revised Code should be terminated.

The Declaration of Fiscal Emergency

Effective December 22, 2005, the Department of Education declared the Brookfield Local School District, Trumbull County, to be in a state of fiscal caution in accordance with Section 3316.031 of the Ohio Revised Code. The declaration was based on an anticipated deficit for the fiscal years ending June 30, 2006 and 2007.

The Auditor of State declared the Brookfield Local School District in fiscal watch on March 2, 2006. This declaration was based upon the failure to submit a written proposal for eliminating the anticipated deficits that prompted the declaration of fiscal caution. Upon reviewing the Brookfield Local School District's five-year forecast filed with the Department of Education on November 30, 2005, which included forecasted deficits of $967,000 and $2,390,000 for the fiscal years ending June 30, 2006, and 2007, the Auditor of State found the Department of Education's request that the Brookfield Local School District be placed in fiscal watch to be reasonable.

Section 3316.04, Revised Code, requires that the board of education of a district declared to be in fiscal watch prepare and submit a financial plan to the State Superintendent of Public Instruction that demonstrates the actions the board will take to eliminate the district's current operating deficit and avoid incurring future operating deficits. A school district that fails to submit an acceptable plan within 120 days of the Auditor of State's declaration is to be declared in a state of fiscal emergency in accordance with Section 3316.03(B), Revised Code. The Brookfield Local School District Board of Education passed a resolution, dated February 21, 2013, stating their inability to adopt a recovery plan that eliminates the projected current year deficit.

Accordingly, the Auditor of State declared the Brookfield Local School District to be in a state of fiscal emergency under Section 3316.03(B)(2) of the Ohio Revised Code on May 14, 2013. A Financial Planning and Supervision Commission was created whose purpose is to direct the School District's return to financial stability.

Termination of Fiscal Emergency

Under Section 3316.16 of the Ohio Revised Code, a school district financial planning and supervision commission, once established, will continue in existence until the Auditor of State, or the commission itself, determines the following:

1. An effective financial accounting and reporting system is in the process of being implemented, and is expected to be completed within two years;

2. All of the fiscal emergency conditions have been corrected or eliminated, and no new emergency conditions have occurred;

3. The objectives of the financial recovery plan are being met; and,

4. The School District has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and such forecast is, in the Auditor's opinion, "nonadverse".

The results of the analysis performed by the Auditor of State to determine if each of these four conditions has been satisfied follows.

Section 1 – Financial Accounting and Reporting System

When a school district is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the school district's financial accounting and reporting system. The Auditor of State, in accordance with Section 3316.10(A), Revised Code, assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the Brookfield Local School District and issued a Report on Accounting Methods, dated November 7, 2013. The report identified areas where the School District's financial accounting and reporting system was not in compliance with Section 117.43, Revised Code, and the requirements of the Auditor of State.

The criteria for termination of the Commission include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation and is expected to be completed within two years. This determination is based on management providing a summary of the actions taken to address the issues identified in the Financial Accounting Report. We confirmed whether the actions taken by management were sufficient to correct those issues identified in the Report on Accounting Methods. A summary of each area of noncompliance identified in the Report on Accounting Methods and the status of each corrective action is presented below:

Budgetary Process

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer does not request a new amended certificate for new sources of revenue that he intends to appropriate. The Treasurer should request a new amended certificate from the County Auditor for new sources of revenue to be appropriated.

Implemented:

The Treasurer requests a new amended certificate for new sources of revenue that he intends to appropriate.

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer submits only the final appropriations to the County Auditor. Section 5705.39, Revised Code, requires a certified copy of each appropriation resolution be sent to the County Auditor.

Implemented:

The Treasurer sends the County Auditor a certified copy of each appropriation resolution.

Auditor of State Comment from Report on Accounting Methods:

- Appropriations are posted in the system without being submitted to the County Auditor and therefore consequently without receiving a certificate from the County Auditor indicating that appropriations are within estimated resources. Appropriations should be posted in the system when they become effective which is upon receipt from the County Auditor of the certificate indication that appropriations are within estimated resources.

Implemented:

Appropriations are posted in the system when they become effective upon receipt from the County Auditor of the certificate indication that appropriations are within estimated resources.

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer does not compare appropriations to estimated resources. The Treasurer should document the comparison of appropriations to estimated resources. This comparison should be presented to the Board upon request for supplemental appropriations demonstrating the effect of the supplemental appropriations and compliance with budgetary requirements, if adopted.

Implemented:

The Treasurer now compares appropriations to estimated resources and documents this. When requested, it is presented to the Board.

Auditor of State Comment from Report on Accounting Methods:

- Total final appropriations for fiscal year 2013 exceeded estimated resources plus carryover balances in the miscellaneous state grants, race to the top, title I and reducing class size special revenue funds and in the building capital projects fund in violation of Section 5705.39, Revised Code.

Implemented:

Appropriations for fiscal year 2017 are within estimated resources plus carryover balances in accordance with Section 5705.39, Revised Code for all School District funds.

Auditor of State Comment from Report on Accounting Methods:

- During fiscal year 2013, the School District had deficit fund cash balances contrary to Section 5705.10, Revised Code.

Implemented:

The School District submits a Project Cash Request to the Ohio Department of Education for reimbursement of grant fund monies expended in the following month in order to ensure no deficit fund cash balances. The School District has no deficit funds.

Auditor of State Comment from Report on Accounting Methods:

- The School District does not issue 412 certificates for appropriations. Section 5705.412, Revised Code, requires the School District to certify, prior to adopting appropriations, that sufficient revenue exists to support those appropriations. The certificate is to be attached to the appropriations and signed by the Treasurer, Superintendent, and President of the Board. If the School District is in a state of fiscal emergency, the certificate shall be signed by a member of the School District's Financial Planning and Supervision Commission who is designated by the Commission for this purpose.

Implemented:

The School District does issue 412 certificates for appropriations when approved. Attached to the appropriations is a signed 412 certificate signed by the Treasurer, Superintendent and President of the Board.

Revenue Activity

Auditor of State Comment from Report on Accounting Methods:

- The School District does not have written procedures for the receipt and recording of revenues. Documented procedures for the receipt and recording of revenues should be prepared and given to all departments involved in the receipt and processing of revenues.

Implemented:

The School District approved and adopted revenue policies for all revenue streams and documented procedures for the receipts and recording all revenues. The policies have been distributed to all departments involved in the receipt and processing of revenues.

Auditor of State Comment from Report on Accounting Methods:

- Cafeteria receipts are posted in a monthly lump sum amount one month in arrears. Cafeteria receipts should be posted at least on a weekly basis.

Implemented:

The School District posts daily receipts on a bi-weekly basis at a minimum. Credit card receipts are posted monthly in the month of occurrence.

Purchasing Process

Auditor of State Comment from Report on Accounting Methods:

- The School District performs a search of the Auditor of State's Findings for Recovery website however this search is not documented. The School District should keep a printed copy of the results of the search on file as proof of verification of vendors.

Implemented:

The School District performs a search of the Auditor of State's Finding for Recovery website and keeps a printed copy of the search on file as proof of verification of vendors.

Auditor of State Comment from Report on Accounting Methods:

- The School District does not perform a search of the United States Department of State's terrorist exclusion list website. The School District should perform a search of the United States Department of State's terrorist exclusion list website and keep a printed copy of the results of the search on file as proof of verification of vendors.

Implemented:

The search of the United States Department of State's terrorist exclusion list is no longer required in the Ohio Revised Code.

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer is not notified by the Budgetary Clerk when a purchase order amount exceeds appropriations. If a purchase order amount exceeds appropriations, the Budgetary Clerk should notify the Treasurer who should then review the budget and appropriation accounts. If there is cash available in the fund, the Treasurer should make a transfer between the various appropriation accounts to cover the deficiency in the accounts.

Implemented:

The Budgetary Clerk notifies the Treasurer when a purchase order exceeds appropriations. The Treasurer reviews the budget and appropriation accounts and makes the necessary changes.

Auditor of State Comment from Report on Accounting Methods:

- Section 5705.41(D)(3), Revised Code, allows the fiscal officer to certify expenditures in an amount not in excess of an amount established by resolution adopted by a majority of the members of the board of education. This type of certification, referred to as a blanket certification (blanket purchase orders), has not been authorized by the Board. The Board should adopt a resolution that identifies the maximum dollar amount for blanket certifications/purchase orders. Blanket purchase orders used without the Board having set a limit are not valid because the School District does not have the authority to use blanket purchase orders without Board resolution.

Implemented:

The School District adopted a policy in January 2014 that identifies the maximum dollar amount for blanket certifications/purchase orders.

Cash Disbursements

Auditor of State Comment from Report on Accounting Methods:

- The School District should document the procedures for cash disbursements including the staff positions and their functions. The document should also include procedures for when only partial orders are received and when an invoice exceeds the purchase order/fiscal officer certification of funds. The document should be kept on file in the Treasurers' office.

Implemented:

The School District documented the procedures for cash disbursements including staff positions and their functions. The procedures also identify that building secretaries are to contact any vendor that submits a partial invoice to provide a reasoning and must resolve any issues. The procedure identifies the steps to be taken when an invoice exceeds the purchase order.

Payroll Process

Auditor of State Comment from Report on Accounting Methods:

- The employee who processes payroll has access to and is responsible for making rate adjustments and changes to the employee master file. An employee who does not process payroll should make rate adjustments and changes to the employee master file.

Implemented:

The employee who processes payroll continues to have access to and is responsible for the making of rate adjustments and changes to the employee master file. However, the Treasurer reviews and initials all changes made to the payroll system.

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer reviews the INICAL and BUDDIS payroll reports but does not sign off on them. The Treasurer should sign the payroll reports after reviewing them.

Implemented:

The Treasurer signs the payroll reports after reviewing them.

Capital Assets and Supplies Inventory

Auditor of State Comment from Report on Accounting Methods:

- The Board policy should be expanded to address valuing donated assets, assigning salvage values and addressing private property (items belonging to staff and students). The policy should also be updated to address capitalization procedures for items that are typically purchased in aggregate.

Implemented:

The Board approved a new capital assets policy that set the capitalization threshold for capital assets at $5,000. The policy also addresses private property of employees and valuing donated assets. The School District passed a resolution assigning a salvage value as one year of straight-line depreciation.

Auditor of State Comment from Report on Accounting Methods:

- The School District does not assign salvage value to depreciable capital assets. In accordance with GASB Statement No. 34, depreciation expense should be calculated by allocating the net cost of depreciable assets over their estimated useful lives. The net cost of depreciable assets is defined as historical cost less estimated salvage value. The School District should assign salvage values to depreciable assets and recalculate annual and accumulated depreciation.

Implemented:

The School District adopted a resolution in January 2014 that authorizes and directs the Treasurer to assign the salvage value of any asset as one year's straight-line depreciation for that asset.

Auditor of State Comment from Report on Accounting Methods:

- The School District does not complete a physical inventory to verify the existence of capital assets. The School District should complete a physical inventory every two to three years to verify the existence of capital assets. The School District should also update the Board policy to reflect this.

Implemented:

The School District completes an appraisal and physical inventory of all capital assets every two years and has been updated the Board policy accordingly.

Auditor of State Comment from Report on Accounting Methods:

- The School District is not using the formal asset disposal form for the disposition of property. According to Board policy, the manner of asset disposal is to be recorded and maintained for all capital assets. The policy should be followed and dispositions should be documented.

Implemented:

The School District is completing the formal asset disposal form for the disposition of property. The Board policy is being followed by the documentation of capital asset dispositions.

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer's office does not verify the existence or non-existence of any significant consumable inventory other than food service supplies. The Treasurer should verify that there are no significant inventories other than food service to be reported. This should be done by physically checking the areas where consumable inventories would be stored.

Implemented:

The Treasurer's office takes an inventory of consumable inventory other than food service supplies and verifies the amount is not significant on a semi-annual basis every December and June.

Cash Management and Investing

Auditor of State Comment from Report on Accounting Methods:

- The School District does not have written procedures for petty cash and the replenishment of it. The Treasurer is the custodian of all funds. Written procedures should be developed for petty cash which includes the individual designated as the custodian and the custodian's duties and responsibilities.

Implemented:

The School District developed written procedures for petty cash and the replenishment of it.

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer does not present the monthly reconciliation to the Board. The Treasurer should provide the Board with monthly reconciliations.

Implemented:

The Treasurer presents the monthly reconciliation to the Board at each regular meeting.

Auditor of State Comment from Report on Accounting Methods:

- The School District does not have a resolution for allocating interest income. The Board should adopt a resolution for the distribution of interest income.

Implemented:

The School District approved a resolution in January 2014 for allocating interest income.

Financial Reporting

Auditor of State Comment from Report on Accounting Methods:

- The Board does not receive reports presenting estimated revenues and appropriations. The Treasurer should provide the Board with reports comparing estimated revenues and appropriations to actual amounts on a monthly and cumulative basis.

Implemented:

The Treasurer presents financial reports comparing estimated revenues and appropriations to actual amounts on a monthly and cumulative basis for all funds to the Board.

Auditor of State Comment from Report on Accounting Methods:

- Under Section 117.38, Revised Code, the Auditor of State has adopted rules that require school districts to report in accordance with general accepted accounting principles and file an annual financial report within one hundred fifty days after the close of the fiscal year. A school district that does not file its an financial report at the time required by this section shall pay to the Auditor of State twenty-five dollars for each day the report remains unfiled after the filing date up to a maximum of seven hundred fifty dollars. The School District should file its annual financial report with the Auditor of State within 150 days of the end of the fiscal year end.

Implemented:

The School District filed their most recent annual financial report with the Auditor of State within 150 days of the end of the fiscal year end.

Recent Audit Report and Compliance and Management Letters

In addition to reviewing the actions taken to address the issues identified in the Report on Accounting Methods and before releasing a school district from fiscal emergency, the Auditor of State reviews the current audit report to determine if there are deficiencies in the school district's financial reporting or any significant failures to comply with the requirements of the Ohio Revised Code.

The Auditor of State released an audit report on the School District's financial statements as of and for the fiscal year ended June 30, 2017, on January 25, 2018. The report expressed an unmodified opinion of the financial statements.

As part of the audit report, the School District receives letters on legal compliance and related internal controls and a management letter. The management letter included noncompliance findings related to internal controls. The management letter also includes recommendations related to payroll controls, taxable fringe benefits, segregated bank account, alcohol purchase and maintenance of capital assets.

The School District has corrected or is in the process of correcting the issues identified in the management letter; therefore, the Auditor of State has concluded that the issues identified in the management letter do not require that the School District's release from fiscal emergency be delayed.

Section 2 – Fiscal Emergency Conditions

The Auditor of State shall issue an order, under Section 3316.03, Revised Code, declaring a school district to be in a state of fiscal emergency if the Auditor of State determines that a school district meets any of the criteria for fiscal emergency. The criteria are as follows:

1. An operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 15 percent of the school district's general fund revenue for the preceding

fiscal year and a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year.

2. The school district board fails to submit a plan acceptable to the State Superintendent of Public Instruction within 120 days of the declaration of fiscal watch, or an updated plan no later than the anniversary of the date on which the first plan was approved.

3. The Superintendent of Public Instruction has reported to the Auditor of State that the school district is not materially complying with the provision of an original or updated plan as approved by the State Superintendent, and that the State Superintendent has determined a declaration of a state of fiscal emergency is necessary to prevent further fiscal decline, and the Auditor of State finds that the determination of the Superintendent is reasonable.

4. A declaration is made under Section 3316.04 of the Ohio Revised Code for a school district that has restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code; and,

5. The Auditor of State may issue an order declaring a school district to be in a state of fiscal emergency if (1) an operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 10 percent, but does not exceed 15 percent, of the school district's general fund revenue for the preceding fiscal year; (2) a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year; and, (3) the Auditor of State determines that a declaration of fiscal emergency is necessary to correct the district's fiscal problems and to prevent further fiscal decline.

In order to be released from fiscal emergency, a school district must have corrected or eliminated the fiscal emergency conditions that existed at the time of the emergency declaration and no new emergency conditions may have occurred.

The results of our analysis of the fiscal emergency conditions are as follows:

1. The School District no longer has an operating deficit in the general fund.

2. The State Superintendent of Public Instruction has not reported to the Auditor of State any material noncompliance with the original or amended financial recovery plan.

3. The School District has not restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code.

4. The examination of the School District's five-year forecast includes a non-adverse opinion rendered by the Auditor of State.

Section 3 – Financial Recovery Plan

We obtained and reviewed a copy of the latest financial recovery plan of the School District (dated January 3, 2018). The Treasurer of the School District and the Chairperson of the Financial Planning and Supervision Commission provided us with a summary of the key provisions of the plan and the actions taken to achieve the provisions of the plan, which were confirmed by us. The key provisions of the financial plan are as follows:

1. The School District will continue to develop and maintain a five-year financial forecast that establishes the parameters of expenditures versus revenues for the School District. The forecast will be updated as required to reflect the changes in assumptions and the most likely course of the School District.

2. The Board of Education will contain expenditures within the five-year financial forecast and the Financial Recovery Plan.

Actions taken to achieve the provisions of the plan include the following:

1. Monitored operating expenditures;

2. Monitored personnel levels;

3. The School District prepared monthly reports of receipts, expenditures, and encumbrances, which were monitored by staff from the Fiscal Assistance Section of the Ohio Department of Education.

Section 4 – Five-Year Forecast

The Auditor of State examined the School District's financial forecast for the fiscal years ending June 30, 2018 through 2022, for the purpose of determining whether the fiscal emergency conditions have been eliminated and whether any new fiscal emergency conditions are expected to occur during the forecast period.

The School District's five-year forecast (see Appendix A) presents a positive unencumbered and unreserved general fund balance for the five-year period ending June 30, 2022. The Auditor of State, in a report dated April 13, 2018, rendered a "nonadverse" opinion on the financial forecast.

Section 5 – Conclusion

Based on our review, the Auditor of State has determined the following:

1. The School District has adopted and implemented an effective accounting and reporting system;

2. The School District has corrected or eliminated all the fiscal emergency conditions, no new conditions have occurred, and it appears that, based on the five-year financial forecast, the School District will remain out of fiscal emergency during the forecast period;

3. The School District has met the major objectives of the Financial Recovery Plan; and,

4. The School District has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and the opinion expressed by the Auditor of State is "nonadverse".

Therefore, the Auditor of State has determined that the Financial Planning and Supervision Commission of the Brookfield Local School District and its functions may be terminated.

DISCLAIMER

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

APPENDIX A

Brookfield Local School District

Trumbull County, Ohio

Financial Forecast

For the Fiscal Years Ending June 30, 2018 through June 30, 2022

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Brookfield Local School District – Trumbull County

Fiscal Emergency Termination

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

Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the Brookfield Local School District for the fiscal year ending June 30, 2018 through 2022 based on the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants. The Brookfield Local School District's management is responsible for preparing and presenting the forecast in accordance with the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the forecast is presented in accordance with the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants, in all material respects. An examination involves performing procedures to obtain evidence about the forecast. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the forecast, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented, in all material respects, in accordance with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions are suitable supported and provide a reasonable basis for the Board's forecast.

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, 2015, 2016, and 2017 were compiled by us and we have not audited or reviewed the accompanying financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the accompanying financial statements. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for determining that the cash basis of accounting is an acceptable framework. Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Management has chosen to omit the disclosures associated with the cash basis of accounting.

Dave Yost

DAVE YOST
Auditor of State

Columbus, Ohio

January 29, 2018

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Brookfield Local School District
Trumbull County
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2015 Through 2017 Actual;
For the Fiscal Years Ending June 30, 2018 Through 2022 Forecasted
General Fund

	Fiscal Year 2015 Actual	Fiscal Year 2016 Actual	Fiscal Year 2017 Actual
Revenues			
General Property Taxes	$3,187,000	$3,212,000	$3,317,000
Unrestricted Grants-in-Aid	5,269,000	5,421,000	5,687,000
Restricted Grants-in-Aid	195,000	165,000	175,000
Property Tax Allocation	666,000	549,000	505,000
All Other Revenues	477,000	796,000	531,000
Total Revenues	9,794,000	10,143,000	10,215,000
Other Financing Sources			
Proceeds from Sale of Notes	800,000	700,000	300,000
Advances In	380,000	0	389,000
Total Other Financing Sources	1,180,000	700,000	689,000
Total Revenues and Other Financing Sources	10,974,000	10,843,000	10,904,000
Expenditures			
Personal Services	4,864,000	4,793,000	5,068,000
Employees' Retirement/Insurance Benefits	1,745,000	1,795,000	2,031,000
Purchased Services	2,352,000	2,273,000	2,237,000
Supplies and Materials	393,000	390,000	376,000
Capital Outlay	103,000	69,000	100,000
Debt Service:			
Principal-Tax Anticipation Notes	800,000	700,000	300,000
Principal-Solvency Assistance Advance	766,000	257,000	0
Interest	8,000	8,000	3,000
Other Objects	160,000	134,000	126,000
Total Expenditures	11,191,000	10,419,000	10,241,000
Other Financing Uses			
Transfers Out	0	19,000	83,000
Advances Out	0	0	389,000
Total Other Financing Uses	0	19,000	472,000
Total Expenditures and Other Financing Uses	11,191,000	10,438,000	10,713,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(217,000)	405,000	191,000
Cash Balance (Deficit) July 1	(67,000)	(284,000)	121,000
Cash Balance (Deficit) June 30	(284,000)	121,000	312,000
Encumbrances			
Actual/Estimated Encumbrances June 30	50,000	12,000	17,000
Unencumbered/Unreserved Fund Balance (Deficit) June 30	($334,000)	$109,000	$295,000

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

Fiscal Year 2018 Forecasted	Fiscal Year 2019 Forecasted	Fiscal Year 2020 Forecasted	Fiscal Year 2021 Forecasted	Fiscal Year 2022 Forecasted
$3,484,000	$3,484,000	$3,490,000	$3,495,000	$3,495,000
5,915,000	5,915,000	5,915,000	5,915,000	5,915,000
192,000	192,000	192,000	192,000	192,000
510,000	512,000	514,000	514,000	516,000
680,000	523,000	529,000	533,000	536,000
10,781,000	10,626,000	10,640,000	10,649,000	10,654,000
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
10,781,000	10,626,000	10,640,000	10,649,000	10,654,000
4,925,000	4,968,000	5,042,000	5,110,000	5,175,000
1,985,000	2,091,000	2,208,000	2,334,000	2,473,000
2,106,000	2,103,000	2,106,000	2,109,000	2,112,000
276,000	324,000	309,000	309,000	309,000
288,000	112,000	114,000	145,000	110,000
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
125,000	125,000	125,000	125,000	125,000
9,705,000	9,723,000	9,904,000	10,132,000	10,304,000
50,000	50,000	50,000	50,000	50,000
0	0	0	0	0
50,000	50,000	50,000	50,000	50,000
9,755,000	9,773,000	9,954,000	10,182,000	10,354,000
1,026,000	853,000	686,000	467,000	300,000
312,000	1,338,000	2,191,000	2,877,000	3,344,000
1,338,000	2,191,000	2,877,000	3,344,000	3,644,000
25,000	25,000	25,000	25,000	25,000
$1,313,000	$2,166,000	$2,852,000	$3,319,000	$3,619,000

Note 1 – The School District

The Brookfield Local School District (the School District) is located in Trumbull County and includes all of Brookfield Township, Masury Township and the Village of Yankee Lake. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates one instructional/administrative building. The School District is staffed by 43 non-certified and 76 certificated personnel to provide services to approximately 1,041 students and other community members.

On May 14, 2013, the School District was declared to be in a state of "Fiscal Emergency" under Section 3316.03(b)(02) by the Auditor of State. The declaration was due to the School District's declining financial condition. In accordance with the law, a five-member Financial Planning and Supervision Commission has been established to oversee the financial affairs of the School District. The Commission is comprised of the State Superintendent of Public Instruction and the State Director of Budget and Management or their designees, and three appointed members. The appointments are made by the Governor of the State of Ohio, the State Superintendent of Public Instruction and the Trumbull County Auditor. The Commission's primary charge is to develop, adopt and implement a financial recovery plan. Once the plan has been adopted, the Board of Education's discretion is limited in that all financial activity of the School District must in accordance with the plan.

Note 2 – Nature of the Forecast

This financial forecast presents, to the best of the Brookfield Local School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of January 29, 2018, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 – Nature of the Presentation

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

Note 4 – Summary of Significant Accounting Policies

Basis of Accounting

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

Fund Accounting

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

Governmental Funds

General Fund – The general fund is the operating fund of the School District and is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available to the School District for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specified restricted or committed revenues should be the foundation for a special revenue fund.

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

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

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

Proprietary Funds

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

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

Fiduciary Funds

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

Budgetary Process

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

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

Estimated Resources – The county budget commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding 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 program in accordance with its adopted and anticipated school calendars 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.

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 2018 (the collection year) for real and public utility property taxes represents collections of 2017 taxes (the tax year). First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

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

Prior to fiscal year end, a school district may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances against the next fiscal year 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 2018 through 2022.

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

The School District also has a classroom facilities levy equal to $.50 per $1,000 of assessed valuation and two debt service levies totaling $7.80 per $1,000 of assessed valuation. The School District's total tax rate is $57.25 per $1,000 of assessed valuation.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. Reduction factors are also adjusted to generate the same amount of property tax revenue on carryover property when there is a decline in the assessed valuation of property. For all voted levies, except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy). State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating levies (excluding emergency levies) plus inside millage used for operating purposes below 20 mills. For the general fund, the effective residential and agricultural real property tax rate is at $27.40 per $1,000 of assessed valuation for collection year 2018, and the effective commercial and industrial real property tax rate is $30.97 per $1,000 of assessed valuation for collection year 2018.

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

<u>General Property Tax</u> – General property tax revenue includes real estate taxes, public utility property taxes and manufactured home taxes. The amount shown in the revenue section of the forecast schedule represents gross property tax revenue and is based upon current and historical property tax settlements. The School District anticipates an increase of $167,000 in fiscal year 2018 based on information provided by the Trumbull County Auditor due to a County-wide reappraisal on the property values and a review of historical and current fiscal year tax settlements at the School District. Fiscal year 2019 is expected to remain relatively constant. For fiscal years 2020 through 2022, property taxes are forecast to increase due to small estimated increases in assessed values based on historical trends and assessed value factors. Trumbull County's next triennial will be in tax year 2020, and the next reappraisal update will be in tax year 2023.

<u>Unrestricted Grants-in-Aid</u>

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

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

In fiscal year 2014, the State General Assembly adopted a new funding method to replace the Bridge Formula. The new foundation formula includes a base amount of funding per pupil, known as the Opportunity Grant, and also provides additional funding for a number of different services designed to serve the needs of various populations of students. The Opportunity Grant is calculated using a per pupil amount times the Average Daily Membership (ADM). For fiscal year 2014, the ADM count continued to use the current fiscal year count taken during the first full week of October. (FY 14 was the last year an October count week was used. Districts are now paid based on an annualized FTE enrollment). This amount (from the October 2014 count week) was then multiplied by the State Share Index, which factored in the property wealth and the income of residents of the school district. These calculations are a multi-step process and are reflected on the School Finance Payment Report (SFPR). School districts were guaranteed the amount received for fiscal year 2013 (including transportation aid and funding for career technical education) and no school district received an increase greater than 6.25 percent for fiscal year 2014 or 10.5 percent for fiscal year 2015. For fiscal years 2016 and 2017, the SFPR continues to be used and the calculation of foundation funding is similar to fiscal year 2015. School districts are guaranteed the amount received for fiscal year 2015 (excluding capacity aid, transportation supplement, graduation bonus, and third grade reading bonus), and limited to an increase of 7.5 percent in each fiscal year. For fiscal year 2017, career-technical education funding has been removed from the guarantee base and exempt from the 7.5 percent increase cap. There were no significant changes to the structure of the funding formula for fiscal year 2018 and 2019. Limited growth in state revenues left all per pupil amounts flat funded to fiscal year 2017 amounts, with the exception of a $10 annual increase in the per pupil amount for the Opportunity Grant. The guarantee for fiscal years 2018 and 2019 is 100 percent of fiscal year 2017 foundation funding (with the continued exclusion of career-technical education funding), unless the school district has lost more than 5 percent of resident enrollment (ADM) between fiscal year 2014 and 2016. Districts that have experienced enrollment loss are subject to a modified guarantee base that is no less than 95 percent of fiscal year 2017 foundation funding. School districts can receive up to 3 percent growth in foundation funding (with career-technical education funding exempt), unless a district has experienced increasing enrollment. For growing districts, the cap is 5.5 percent in fiscal year 2018 and 6.0 percent in fiscal year 2019. Based on the most recent foundation settlement, the School District estimates $5,862,000 in foundation funding for fiscal year 2018. The remaining fiscal years are forecast to be consistent with fiscal year 2018.

Beginning in fiscal year 2013, the School District started receiving additional unrestricted grants-in-aid revenue due to casino revenue. Of the casino revenue collected by the State, thirty-four percent is distributed to school districts, based on student population. The School District anticipates casino revenue throughout the forecast period of $53,000 for fiscal years 2018 through 2022 for a total unrestricted grants-in-aid amount of $5,915,000 for all fiscal years of the forecast period.

Restricted Grants-in-Aid

Restricted grants-in-aid consists of revenue to aid career technologies programs and economically disadvantaged funding. Based on the latest foundation settlement, the School District anticipates $8,000 in career technologies monies and $184,000 in economically disadvantaged funding for a total restricted grants-in-aid amount of $192,000 for fiscal year 2018. These amounts are forecast to remain consistent for the forecast period.

Property Tax Allocation

Since 1971, the State has reimbursed local governments for lost tax revenue related to State mandated rollback and homestead exemptions. House Bill 59 signed in 2013 effected these reductions. The new law indicates that the ten percent and the two and one-half percent rollbacks will no longer apply to new levies that are enacted after August 31, 2013. In addition, House Bill 59 has adjusted the Homestead Exemption and it will now be a means tested provision only available to those otherwise eligible taxpayers with household incomes that do not exceed $30,000. These changes reduced reimbursements from the State and increased real property tax revenue. Homestead and rollback revenue is forecast to increase $5,000 in fiscal year 2018, based on the latest settlement and information from the County Auditor. For fiscal years 2019 through 2022, homestead and rollback is forecast to increase due to small estimated increases in assessed values based on trends and assessed value factors.

From 2005 to 2011, State law phased out taxes levied by school districts on business personal property. The State's original intent was to compensate school districts for resulting tax losses in full until fiscal year 2013, when payments themselves were to begin to be phased out. House Bill 153 signed in June 2011 accelerated the phase out during fiscal year 2012-2013 biennium and to pay reimbursements after the biennium at the reduced level paid at the end of fiscal year 2013. The new phase out is scaled according to a school districts reliance on those reimbursements as a percentage of the district's total budget. In 2012, House Bill 508 went into effect. It provides technical changes to the formula used to calculate fixed rate losses pertaining to business property tax expense levies. House Bill 64, which went into effect in 2015, resumed the phase-out of tangible personal properties (TPP) reimbursements and changed the calculation and distribution methodology of TPP reimbursements. The School District is anticipating a decrease in TPP reimbursement revenues during the forecast period. The decrease is based on the House Bill 64 phase out of this reimbursement. The School District received a reduced fixed rate current operating levy loss reimbursement in fiscal year 2016, but is did not receive any reimbursement for the fixed rate current operating levy loss in fiscal year 2017 and is not expecting any reimbursement 2018, since the School District's ratio of current expense allocation to total resources is not expected to meet the threshold for the reimbursement in fiscal year 2018. The fixed sum operating levy loss reimbursements are scheduled to be phased out in decreasing factors of the fiscal year 2015 reimbursement amount, with factors f 1.0, 0.8, 0.6, 0.4 and 0.2 for fiscal years 2017, 2018, 2019, 2020 and 2021, respectively. The School District is forecasting that it will not receive any TPP reimbursement in fiscal year 2018 through 2022.

<u>All Other Revenues</u>

All other revenues consist of the following:

	Forecasted				
Revenue Sources	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022
Open Enrollment Tuition	$321,000	$321,000	$321,000	$321,000	$321,000
Transportation Reimbursement	7,000	7,000	7,000	7,000	7,000
Interest on Investments	6,000	14,000	20,000	24,000	27,000
Student Class Fees	2,000	2,000	2,000	2,000	2,000
Rentals	21,000	21,000	21,000	21,000	21,000
Donations	2,000	2,000	2,000	2,000	2,000
Sale of Capital Assets	4,000	4,000	4,000	4,000	4,000
E-rate Reimbursements	139,000	25,000	25,000	25,000	25,000
Medicaid School Program	50,000	50,000	50,000	50,000	50,000
Refund of Prior Year Expenditures	44,000	36,000	36,000	36,000	36,000
Insurance Refund	22,000	0	0	0	0
Other Revenue	62,000	41,000	41,000	41,000	41,000
Totals	$680,000	$523,000	$529,000	$533,000	$536,000

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

Open enrollment tuition revenue is expected to decrease from fiscal year 2017, based on the latest foundation settlement, and remain flat for the forecast period.

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 increase from fiscal year 2017. These revenues are expected to increase for the forecast period based on the forecasted increase in the balance available to invest.

E-rate refunds are expected to increase in fiscal year 2018 from 2017 due to reimbursements for a telecommunications project to upgrade the School District's wireless capabilities. For fiscal years 2019 through 2022, the School District anticipates a reduction in e-rate reimbursements.

Medicaid School Programs are expected to decrease in fiscal year 2018 due to the School District receiving increased settlements during prior years. The remaining fiscal years are forecast to be consistent with fiscal year 2018.

Refund of prior year expenditures for fiscal year 2018 are expected to increase as a result of the School District receiving a greater SERS reimbursement in fiscal year 2018 from SERS salaries being overestimated in 2017. For fiscal years 2019 through 2022, the School District anticipates a reduction of refund to prior year expenditures.

Insurance refunds are increased in fiscal year 2018 due to a one time incident that resulted in a refund. No further refunds are expected for the forecast period.

Other revenues include vocational mileage and other revenue. This is expected to increase for fiscal year 2018 due to an unusually high rebate. For fiscal years 2019 through 2022, the School District anticipates a reduction of other revenues due to less anticipated to be received in rebates.

Other Financing Sources

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

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

Note 7 – Significant Assumptions for Expenditures and Other Financing Uses

Personal Services

Personal services expenditures represent the salaries and wages paid to certified employees, classified and administrative staff, substitutes, tutors and board members. In addition to regular salaries, it includes payment for supplemental contracts and severance pay. Most employees receive their compensation on a bi-weekly basis. Administrative salaries are set by an administrative agreement.

Staffing levels for the last three fiscal years and the current fiscal year are displayed in the following chart. Staffing levels for fiscal years 2019 through 2022 are anticipated to remain consistent with fiscal year 2018.

	2015	2016	2017	2018
General Fund:				
Certified	65	62	66	66
Classified	41	45	42	36
Total General Fund	106	107	108	102
Other Funds:				
Certified	11	14	10	10
Classified	11	8	7	7
Total Other Funds	22	22	17	17
Total	128	129	125	119

The following table presents a comparison of salaries and wages for fiscal years 2018 through 2022:

			Forecasted		
	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022
Certified Salaries	$3,598,000	$3,695,000	$3,762,000	$3,820,000	$3,876,000
Classified Salaries	822,000	795,000	801,000	808,000	815,000
Substitute Salaries	181,000	181,000	181,000	181,000	181,000
Supplemental Contracts	194,000	196,000	197,000	200,000	202,000
Overtime	20,000	20,000	20,000	20,000	20,000
Severance	54,000	25,000	25,000	25,000	25,000
Board Members	7,000	7,000	7,000	7,000	7,000
Other Salaries and Wages	46,000	46,000	46,000	46,000	46,000
Student Workers	3,000	3,000	3,000	3,000	3,000
Totals	$4,925,000	$4,968,000	$5,042,000	$5,110,000	$5,175,000

Certified (teaching) staff salaries are based on a negotiated contract which includes step increases and educational incentives for existing staff. The contract covers the period June 30, 2015 to June 29, 2018, and allows for a 1 percent increase in the base salary as well as a $400 salary enhancement payment for fiscal years 2016 and 2017. Negotiations for a new contract will begin in calendar year 2018. Certified employees received step increases ranging from 0 to 5 percent, with an average step increase of 2.15 percent for each fiscal year of the forecast period. No base salary increases were included in the forecasted salaries for fiscal years 2019 through 2022. Each one percent increase in certified salaries will cost the School District approximately $36,000. Certified salaries are forecast to decrease from fiscal year 2017 due to the School District employing one less certified administrator as well as one teacher participating in the retire rehire program which reduced that teacher’s annual salary. Approved step increases have been included in forecasted salaries for fiscal years 2019 through 2022.

Classified salaries are based on a negotiated contract which includes base and step increases. The contract covers the period July 1, 2014 to June 30, 2018. No base increases have been included in the forecasted salaries for fiscal years 2019 through 2022. Each one percent increase in classified salaries will cost the School District approximately $8,000. Classified salaries are forecast to decrease due to a reduction in overall staffing levels and outgoing employees being replaced by employees that are lower on the pay scale. During fiscal year 2018 four classified employees left the School District and were not replaced. Due to this, classified salaries forecasted for fiscal year 2019 are forecast to decrease. Approved step increases have been included in forecasted salaries for fiscal years 2019 through 2022.

Substitute salaries are expected to decrease for fiscal year 2018 based upon the School District having one long-term substitute as compared to two in fiscal year 2017. The remaining fiscal years are forecast to be consistent with fiscal year 2018.

Supplemental salaries are based on a negotiated contract. Supplemental costs are forecast to decrease from fiscal year 2017 due to the School District leaving several supplemental contracts unfilled for fiscal year 2018. The School District continues to pay all supplemental salaries related to athletics out of its athletic funds during fiscal year 2018 as it did in the prior fiscal year. Supplemental salaries are anticipated to increase in fiscal years 2019 through 2022 due to step increases.

Overtime is forecast to increase slightly in fiscal year 2018 based on historical trends and fiscal year to date information. Overtime is forecast to remain consistent throughout fiscal years 2018 through 2022.

The School District offers severance pay upon retirement to its certified and classified employees who are eligible to retire under the provisions set by STRS or SERS. Upon retirement, certificated employees with ten or more years of service receive payment for twenty-five percent of total sick leave accumulation up to a maximum of sixty days. Full-time classified employees with ten or more years of service upon retirement receive $40 per day of unused sick leave up to a maximum of 240 days. Part-time classified employees with ten or more years of service upon retirement receive $30 per day of unused sick leave up to a maximum of 240 days. Certified and classified severance costs for fiscal year 2018 were estimated based on employees known to be retiring. Certified severance for fiscal years 2019 through 2022 was based taking an average of fiscal years 2016 and 2017. Certified severance was unusually high in fiscal year 2015 attributable to a much greater number of employees retiring in that year due to a retirement incentive being offered. Classified severance costs for fiscal year 2018 increased due to increased classified retirements. Classified severance for fiscal years 2019 through 2022 was based on taking an average of fiscal years 2016 and 2017.

Board member salaries are forecast to remain consistent for fiscal years 2018 through 2022.

Other salaries are comprised of attendance bonuses, salary enhancement payments and an insurance opt-out that is paid to staff. This expenditure is anticipated to decrease from fiscal year 2017 due to no salary enhancement payments made in fiscal year 2018 per the contracts. The remaining fiscal years are forecast to be consistent with fiscal year 2018.

Employees' Retirement/Insurance Benefits

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

The following table presents a comparison of employee's retirement/insurance benefits for fiscal years 2018 through 2022:

	Forecasted				
	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022
Employer's Retirement	$826,000	$836,000	$849,000	$860,000	$871,000
Health Care/Life Insurance	1,030,000	1,123,000	1,226,000	1,339,000	1,464,000
Workers' Compensation	48,000	49,000	49,000	50,000	51,000
Medicare	64,000	66,000	67,000	68,000	70,000
Other Benefits	17,000	17,000	17,000	17,000	17,000
Total	$1,985,000	$2,091,000	$2,208,000	$2,334,000	$2,473,000

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. Payments are made based upon estimated salary and wages for each fiscal year. For STRS, adjustments resulting from differences between the estimates and the actual amounts are prorated over the next calendar year. For SERS, a refund or an additional payment is completed in the following fiscal year to correct differences between the estimated and actual salaries. The School District pays the employee retirement contributions for the superintendent and treasurer.

Retirement costs are anticipated to increase for fiscal year 2018 based on an increase in the amount deducted from the foundation statements that the School District started receiving in calendar year 2018. For fiscal years 2019 through 2022, STRS retirement costs are anticipated to increase due to estimated increases in certified salaries. For fiscal year 2018, SERS retirement costs are forecast to decrease based on the most recent foundation information available. For fiscal year 2019, SERS retirement costs are forecast to decrease due to an estimated decrease in classified salaries. For fiscal years 2020 through 2022, SERS retirement costs are forecast to increase slightly each year due to estimated increases in classified salaries.

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

Hospitalization, vision, and dental health care costs are based on monthly premiums set by the Trumbull County Schools Insurance Consortium. Health care premiums are currently set for a six month period from January 1, 2018 to June 30, 2018. The Consortium voted on and passed an additional 7.5 percent increase in hospitalization effective July 1, 2018. 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.

Current health care rates are as follows:

Single Rates:

	Medical	Dental	Life	Total
July 1, 2017 to December 31, 2017	$505.93	$33.95	$5.75	$545.63
January 1, 2018 to June 30, 2018	543.87	33.95	5.75	583.57

Family Rates:

	Medical	Dental	Life	Total
July 1, 2017 to December 31, 2017	$1,316.41	$111.14	$5.75	$1,433.30
January 1, 2018 to June 30, 2018	1,415.14	111.14	5.75	1,532.03

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

Healthcare costs are forecast to decrease in fiscal year 2018. In fiscal year 2018 the School District will make the required 12 monthly payments, in fiscal year 2017 the School District was required to make 13 payments due to only 11 payments being made in fiscal year 2016. For fiscal years 2019 through 2022, an annual ten percent increase in medical insurance costs was estimated with no estimated increase to dental or life insurance.

Workers’ compensation is based on the School District’s assigned rate and the amount of wages paid in a calendar year. In previous years, premiums were paid in the following calendar year. Beginning in calendar year 2016, the Bureau of Worker’s Compensation (BWC) transitioned to prospective billing.

The bills to be paid in calendar 2016 included payment on calendar year 2015 wages (policy year 2015) and payment on calendar year 2016 estimated wages (policy year 2016). For this transition policy year, the BWC gave a 50 percent credit on the retrospective bill on 2015 wages and a 50 percent credit on the prospective bill on 2016 wages. During fiscal year 2016, the School District paid 55 percent of the premium for calendar year 2014, the premium for calendar year 2015 and the first half installment of the premium for calendar 2016. In fiscal year 2017, the School District paid the second half installment of the premium for calendar year 2016 as well as six monthly payments for January through June 2017. The workers' compensation amount for fiscal years 2018 through 2022 is forecast to increase based on estimated salaries.

Medicare is based on a percentage of wages and is estimated to decrease in fiscal year 2018 due to the decrease in wages. Medicare for fiscal years 2019 through 2022 is based on estimated wages which are forecast to increase due to salary step increases.

Other benefits include unemployment claims, tuition reimbursement and annuity payments for the superintendent. Other benefits are expected to decrease in fiscal year 2018 due to a decrease in annuity expenses. The remaining fiscal years are forecast to be consistent with fiscal year 2018.

Purchased Services

The following table presents a comparison of purchased services for fiscal years 2018 through 2022:

	Forecasted				
	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022
Professional and Technical Services	$171,000	$171,000	$171,000	$171,000	$171,000
Property Services	190,000	190,000	190,000	190,000	190,000
Travel and Meeting Expenses	20,000	14,000	14,000	14,000	14,000
Communication Costs	31,000	31,000	31,000	32,000	32,000
Utility Services	266,000	269,000	272,000	274,000	277,000
Tuition Payments	1,254,000	1,254,000	1,254,000	1,254,000	1,254,000
Pupil Transportation	174,000	174,000	174,000	174,000	174,000
Total	$2,106,000	$2,103,000	$2,106,000	$2,109,000	$2,112,000

Professional and technical services are expected to increase in fiscal year 2018 from fiscal year 2017 due to expected increases in legal fees and contract fees arising from the e-learning contract with iReady (an internet based learning program). These changes are expected to remain through the forecast period.

Property services costs are expected to increase in fiscal year 2018 primarily due to the Treasurer allocating trash removal costs to the general fund that had not been allocated properly in prior fiscal years. Fiscal years 2019 through 2022 are forecast to remain consistent with fiscal year 2018.

Travel and meeting expenses will increase in fiscal year 2018 primarily due to new staff receiving increased training resulting in increased costs. This is anticipated to decrease after fiscal year 2018 and then remain same for the rest of the forecast period.

Communication costs are forecast to decrease in fiscal year 2018 due to contract updates that will result in savings. In fiscal years 2019 through 2022, costs are expected to have small increases as service costs rise.

Utility services costs are expected to decrease in fiscal year 2018 due to rate decreases negotiated for electric. These expenses are forecast to increase throughout the remaining forecast period due to anticipated rate increases.

The School District is anticipating a decrease in tuition payments based upon the latest information from the Ohio Department of Education. These expenses are forecast to remain steady throughout the forecast period as enrollment is projected to remain relatively consistent.

Supplies and Materials

The following table presents a comparison of supplies and materials for fiscal years 2018 through 2022:

	Forecasted				
	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022
General Supplies, Library Books and Periodicals	$138,000	$186,000	$170,000	$170,000	$170,000
Operations, Maintenance and Repair	62,000	62,000	62,000	62,000	62,000
Transportation	73,000	73,000	74,000	74,000	74,000
Textbooks	3,000	3,000	3,000	3,000	3,000
Total	$276,000	$324,000	$309,000	$309,000	$309,000

General supplies, library books, and periodicals are expected to decrease significantly in fiscal year 2018 due to the School District contract with iReady which will eliminate a large sum of instructional supplies and decreased spending for supplies and software. During Fiscal Year 2019 the School District anticipates spending $48,000 on Chrome Carts then $32,000 for the remaining years of the forecast. Operations, maintenance and repairs are expected to decrease in fiscal year 2018 due to slated maintenance projects decreasing for the fiscal year. This change is expected to carry on through the forecast period. Transportation expenditures are expected to increase due to increasing costs. This change is expected to carry on through the forecast period. The School District purchased a large amount of textbooks for fiscal year 2017. Textbooks are expected to decrease significantly in fiscal year 2018 due to the increasing use of digital instructional resources. This change is expected to carry on through the forecast period.

Capital Outlay

The costs of property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. In fiscal year 2018, the School District is forecasting capital outlays to increase, due to the School District entering into a bus purchase agreement for one bus in August 2017 and an E-Rate project. The School District expects to begin replacing some equipment and to purchase additional buses which cause fluctuations over the forecast period.

Debt Service

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

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

During fiscal year 2017, the School District issued $300,000 in tax anticipation notes at 2.30 percent due June 30, 2017. The School District paid $3,000 in interest on these notes during fiscal year 2017. These notes were repaid with property tax revenues.

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

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

Other Objects

Other object expenditures consist of dues, fees, and liability insurance. Other object expenditures are forecast to decrease in fiscal year 2018 due to decreased fees. Other object expenditures are expected to remain consistent in fiscal years 2019 through 2022.

Transfers and Advances Out

For fiscal year 2018, transfers of $50,000 are expected. No advances are expected to be made in fiscal year 2018. For fiscal years 2019 through 2022, Transfers out are expected to remain consistent and no advances out are anticipated.

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 expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance. Encumbrances of $25,000 are expected for purchased services, supplies and materials, capital outlay and other objects are forecast for fiscal years 2018 through 2022.

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 for fiscal year 2018 is approximately $184,000 and is expected to be no less than $176,000 in the remaining forecast years. The School District anticipates annual qualified expenditures and offsets to exceed the required set aside amount for all forecasted fiscal years. Therefore, no reserve for capital acquisition and improvements is forecast.

Note 10 – Levies

The School District has placed levies on the ballot in the last 10 years. The type of levy, millage amount, term and election results are as follows:

Date	Type	Amount	Term	Tax Year Expiration Date	Election Results
November 2007	Bond Issue Combination	$14,810,000	28 years	2035	Passed
November 2012	Operating	1 percent	5 years	2017	Failed
May 2013	Operating	4.85 Mills	Continuing	n/a	Passed

Note 11 – Pending Litigation

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

Note 12 – Other Funds

The School District has numerous other funds that account for resources that are restricted for specific purposes. All other funds of the School District are anticipated to have sufficient resources to meet their obligations during the forecast period.

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BROOKFIELD LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 13, 2018