



**Dave Yost • Auditor of State**

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

**Financial Forecast  
For the Fiscal Year Ending June 30, 2015**

**Local Government Services Section**



Brookfield Local School District  
Trumbull County

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# Dave Yost • Auditor of State

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

and

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

## CERTIFICATION

Certification is hereby made that, based upon the requirement set forth in Section 3316.08, Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the financial forecast of the general fund of the Brookfield Local School District, Trumbull County, Ohio, and issued a report dated February 2, 2015. The forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecast reflects an operating surplus for the fiscal year ending June 30, 2015 of \$65,000.

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 2016 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 is not to appropriate any such advances for fiscal year 2015.

DAVE YOST  
Auditor of State

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Unice S. Smith  
Chief of Local Government Services

May 12, 2015

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# Dave Yost • Auditor of State

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

## Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the Brookfield Local School District for the fiscal year ending June 30, 2015. The Brookfield Local School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

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

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

The statement of revenues, expenditures and changes in fund balance arising from cash transactions of the general fund for the fiscal years ended June 30, 2012, 2013 and 2014 were compiled by us and we have not audited or reviewed the accompanying financial statements, and, accordingly, we do not express an opinion or provide any assurance about whether the financial statements are in accordance with the cash basis of accounting. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements. Our responsibility is to conduct the compilation in accordance with Statements for Accounting and Review services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that no material modifications that should be made to the financial statements. Management has chosen to omit the disclosures associated with the cash basis of accounting.

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

DAVE YOST  
Auditor of State

February 2, 2015

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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, 2012 Through 2014 Actual;  
 For the Fiscal Year Ending June 30, 2015 Forecasted  
 General Fund

	Fiscal Year 2012 Actual	Fiscal Year 2013 Actual	Fiscal Year 2014 Actual	Fiscal Year 2015 Forecasted
<b>Revenues</b>				
General Property Taxes	\$2,630,000	\$2,638,000	\$2,940,000	\$3,179,000
Tangible Personal Property Taxes	11,000	0	0	0
Unrestricted Grants-in-Aid	5,404,000	5,245,000	5,322,000	5,368,000
Restricted Grants-in-Aid	43,000	39,000	232,000	258,000
Restricted Federal Grants-in-Aid - SFSF and Education Jobs	212,000	0	0	0
Property Tax Allocation	749,000	567,000	619,000	672,000
All Other Revenues	526,000	575,000	556,000	448,000
<i>Total Revenues</i>	<u>9,575,000</u>	<u>9,064,000</u>	<u>9,669,000</u>	<u>9,925,000</u>
<b>Other Financing Sources</b>				
Proceeds from Sale of Notes	0	600,000	800,000	800,000
Solvency Assistance Advance	0	1,018,000	514,000	0
Advances In	590,000	0	0	380,000
<i>Total Other Financing Sources</i>	<u>590,000</u>	<u>1,618,000</u>	<u>1,314,000</u>	<u>1,180,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>10,165,000</u>	<u>10,682,000</u>	<u>10,983,000</u>	<u>11,105,000</u>
<b>Expenditures</b>				
Personal Services	5,220,000	5,023,000	4,768,000	4,870,000
Employees' Retirement/Insurance Benefits	1,969,000	1,836,000	1,829,000	1,770,000
Purchased Services	2,411,000	2,159,000	2,222,000	2,197,000
Supplies and Materials	490,000	364,000	362,000	329,000
Capital Outlay	0	2,000	32,000	88,000
Debt Service:				
Principal-Tax Anticipation Note	0	600,000	800,000	800,000
Solvency Assistance Advance	0	0	509,000	766,000
Interest	0	5,000	11,000	8,000
Other Objects	106,000	110,000	115,000	145,000
<i>Total Expenditures</i>	<u>10,196,000</u>	<u>10,099,000</u>	<u>10,648,000</u>	<u>10,973,000</u>
<b>Other Financing Uses</b>				
Transfers Out	0	0	25,000	0
Advances Out	0	590,000	380,000	0
<i>Total Other Financing Uses</i>	<u>0</u>	<u>590,000</u>	<u>405,000</u>	<u>0</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>10,196,000</u>	<u>10,689,000</u>	<u>11,053,000</u>	<u>10,973,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(31,000)	(7,000)	(70,000)	132,000
Cash Balance July 1	41,000	10,000	3,000	(67,000)
Unencumbered/Unreserved Fund Balance (Deficit) June 30	<u>\$10,000</u>	<u>\$3,000</u>	<u>(\$67,000)</u>	<u>\$65,000</u>

See accompanying summary of significant forecast assumptions and accounting policies  
 See independent accountant's report

Brookfield Local School District  
Trumbull County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2015

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**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 52 non-certified and 76 certificated personnel to provide services to approximately 1,107 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 February 2, 2015, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

**Note 3 - Nature of the Presentation**

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

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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 expenditures for specified purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specified restricted or committed revenues should be the foundation for a special revenue fund.

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

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

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

**Proprietary Funds**

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

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

**Fiduciary Funds**

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

Brookfield Local School District  
Trumbull County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2015

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**Budgetary Process**

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

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

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

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

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

**Note 5 - General Operating Assumptions**

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

**Note 6 - Significant Assumptions for Revenues and Other Financing Sources**

**General and Tangible Personal Property Taxes**

Property taxes are applied to real property, public utility real and personal property and manufactured homes which are located within the School District. Property taxes are collected for, and distributed to, the School District by the county auditor and treasurer. Settlement dates, on which collections are distributed to the School District, are established by State statute. The School District may request advances from the Trumbull County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and

Brookfield Local School District  
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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 2015 (the collection year) for real and public utility property taxes represents collections of 2014 taxes (the tax year). First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

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

Prior to fiscal year end, a school district may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances against fiscal year 2016 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2015.

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

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

The School District also has a classroom facilities levy equal to \$.50 per \$1,000 of assessed valuation and two debt service levies totaling \$7.60 per \$1,000 of assessed valuation. The School District's total tax rate is \$57.05 per \$1,000 of assessed valuation.

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

Brookfield Local School District  
Trumbull County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2015

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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 \$27.36 per \$1,000 of assessed valuation for collection year 2015, and the effective commercial and industrial real property tax rate is \$30.77 per \$1,000 of assessed valuation for collection year 2015.

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 amount shown in the revenue section of the forecast schedule represents gross property tax revenue and is based upon information provided by the Trumbull County Auditor certificate of estimated resources. The School District anticipates an increase of \$239,000 from the prior fiscal year due to the passage of a new operating levy, based upon information provided by the Trumbull County Auditor and a review of historical and current fiscal year tax settlements at the School District.

#### **Unrestricted Grants-in-Aid**

In fiscal year 2011 Ohio school districts received their funding under the Ohio Evidence-Based Model (OEBM) that was established in Chapter 3306 of the Ohio Revised Code and linked educational research on academic achievement and successful outcomes with funding components to achieve results. It incorporated real financial data and socioeconomic factors to fund resources and implement proven school programs according to the student need to achieve educational adequacy. The adequacy amount was the sum of service support components for instruction, administrative, operations and maintenance, gifted and enrichment, professional development and an instructional materials factor. These factors were multiplied against the Ohio education challenge factor (a district's wealth factor) and the State-wide base salary for given positions and the number of positions funded. Other factors included in the calculation were student/teacher ratios, organizational units, and average daily membership (ADM). The adequacy amount was offset by the school district share of the adequacy amount (the charge off amount), which was equal to 21 mills for 2012 and 2013 and 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 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

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For the Fiscal Year Ending June 30, 2015

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serve the needs of various populations of students. The Opportunity Grant is calculated using a per pupil amount times the Average Daily Membership (ADM). For fiscal year 2014, the ADM count continues to use the current fiscal year count taken during the first full week of October. This amount is then multiplied by the State Share Index, which factors in the property wealth and the income of residents of the school district. These calculations are a multi-step process and are reflected on the School Finance Payment Report (SFPR). School districts are guaranteed the amount received for fiscal year 2013 (including transportation aid and funding for career technical education) and no school district will receive an increase greater than 6.25 percent for fiscal year 2014. The School District received \$5,264,000 in foundation funding. Based on the most current foundation settlement, the School District estimates \$5,312,000 in foundation funding for fiscal year 2015.

Beginning in fiscal year 2013, the School District is receiving additional unrestricted grants-in-aid revenue due to casino revenue. The first three casinos opened in Ohio in calendar year 2012, with one more casino opening in 2013. Of the casino revenue collected by the State, thirty-four percent is distributed to school districts, based on student population. The School District anticipates casino revenue of \$56,000, for a total unrestricted grants-in-aid amount of \$5,368,000.

#### **Restricted Grants-in-Aid**

In past fiscal years, restricted grants-in-aid consisted of career technologies, bus purchase and catastrophic aid special education monies. Catastrophic aid is a supplemental payment to the School District for special education students in categories two through five whose educational and related expenses exceed \$27,375 and for special education students in category six whose educational and related expenses exceed \$32,850. For fiscal year 2015, the School District anticipates \$8,000 in career technologies, \$226,000 in economic disadvantage funding, \$18,000 in restricted grants and \$6,000 in catastrophic aid monies.

#### **Restricted Federal Grants-in-Aid**

In 2010, Congress passed, and the President has signed, legislation that provides \$10 billion in resources to assist local school districts in saving or creating education jobs during fiscal years 2011 and 2012. The Education Jobs grant was to be used only for compensation and benefits and other expenses, such as support services, necessary to retain existing employees, to recall or rehire former employees, and to hire new employees, in order to provide early childhood, elementary, or secondary educational and related services. These funds had limited restrictions on their use. The Brookfield Local School District, based on estimates provided by the Department of Education, received \$212,000 for fiscal year 2012. The School District chose to use these funds in fiscal year 2012 for salaries for teachers. The Education Jobs grant has not been reauthorized by the Federal Government.

#### **Property Tax Allocation**

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

Brookfield Local School District  
Trumbull County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2015

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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. For fiscal year 2015, the School District anticipates receiving \$156,000 of reimbursement for the tangible personal property tax phase out. This is consistent with the amount received in fiscal year 2014.

Property tax allocation revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Actual Fiscal Year 2014	Forecasted Fiscal Year 2015	Variance
Homestead and Rollback Tangible Personal Property Loss Reimbursement	\$407,000	\$411,000	\$463,000	\$516,000	\$53,000
	342,000	156,000	156,000	156,000	0
Totals	<u>\$749,000</u>	<u>\$567,000</u>	<u>\$619,000</u>	<u>\$672,000</u>	<u>\$53,000</u>

**All Other Revenues**

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

The open enrollment tuition revenue is expected to remain in line with the prior fiscal year amount. The School District is not anticipating a change in the number of students from other school districts attending the School District.

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

The School District has several school buildings that were closed in prior fiscal years. During fiscal year 2014 the School District sold the old middle school and a land parcel, resulting in revenue from sale of capital assets. There is no sale of capital assets revenue anticipated for fiscal year 2015.

Refund of prior year expenditures is expected to decrease for fiscal year 2015.

Other miscellaneous revenues include vocational mileage and other revenue. This is expected to decrease for fiscal year 2015.



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Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2015

All other revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Actual Fiscal Year 2014	Forecast Fiscal Year 2015	Variance
Open Enrollment and Other Tuition	\$309,000	\$309,000	\$283,000	\$284,000	\$1,000
Transportation Reimbursement	27,000	7,000	8,000	8,000	0
Interest on Investments	1,000	1,000	1,000	1,000	0
Student Class Fees	4,000	2,000	3,000	3,000	0
Rentals	13,000	14,000	21,000	17,000	(4,000)
Donations	7,000	9,000	7,000	8,000	1,000
Sale of Capital Assets	0	87,000	93,000	0	(93,000)
E-Rate Reimbursements	9,000	23,000	27,000	27,000	0
Medicaid School Program	20,000	21,000	27,000	23,000	(4,000)
Refund of Prior Year Expenditures	3,000	13,000	46,000	42,000	(4,000)
Other Revenue	133,000	89,000	40,000	35,000	(5,000)
Totals	<u>\$526,000</u>	<u>\$575,000</u>	<u>\$556,000</u>	<u>\$448,000</u>	<u>(\$108,000)</u>

**Other Financing Sources**

Proceeds from Sale of Notes – During fiscal year 2013, the School District issued \$600,000 in tax anticipation notes at an interest rate of 1.75 percent. During fiscal year 2014, the School District issued \$800,000 in tax anticipation notes at an interest rate of 2.50 percent. During fiscal year 2015, the School District issued \$800,000 in tax anticipation notes at an interest rate of 2.10 percent.

Solvency Assistance Advance – In fiscal years 2013 and 2014, the School District received Solvency Assistance Advances in the amounts of \$1,018,000 and \$514,000, respectively, from the State. The State solvency assistance fund advances money to school districts that are in fiscal emergency or that meet one or more of nine reasons identified in Section 3301-92-03 of the Ohio Administrative Code. The advances will be repaid over two years from the State foundation revenues.

Advances In – During fiscal year 2012, the general fund received an advance of \$590,000 from the classroom facilities fund. This advance was repaid during fiscal year 2013. During fiscal year 2014, advances were made for a total of \$380,000 to other funds. The School District anticipates repayment advances in the amount of \$380,000 during fiscal year 2015.

**Note 7 – Significant Assumptions for Expenditures and Other Financing Uses**

**Personal Services**

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

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

	2012	2013	2014	2015
General Fund:				
Certified	65	63	62	65
Classified	42	47	45	41
Total General Fund	107	110	107	106
Other Funds:				
Certified	11	12	11	11
Classified	20	10	11	11
Total Other Funds	31	22	22	22
Totals	138	132	129	128

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, 2014 to June 29, 2015, and allows for no increase in the base salary for fiscal year 2015. Certified employees received a step increase for fiscal year 2015 at the beginning of the fiscal year. No further increases will occur in the fiscal year. The step increases range from 0 to 5 percent, and the average step increase awarded was 2.28 percent. Certified salaries are forecasted to increase due to the hiring of three additional staff.

Classified salaries are based on a negotiated contract which includes base and step increases. The contract covers the period July 1, 2014 to June 30, 2017. The forecasted salaries for fiscal year 2015 include an average of a one percent step increase. Classified salaries are forecasted to decrease due to the reduction of four employees offset by the step increase.

Substitute salaries are expected to increase for the forecast period based upon a three year average.

Supplemental salaries are based on a negotiated contract. Supplemental costs are forecasted to increase due to additional positions being filled in fiscal year 2015 as well as step increases. Some positions were not filled in fiscal year 2015 due to low participation; however, the School District is paying all supplemental salaries related to athletics out of its athletic funds during fiscal year 2015 as it did in the prior fiscal year.

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

The School District offers severance pay upon retirement to its certified and classified employees who are eligible to retire under the provisions set by STRS or SERS. Severance pay to certified employees amounts to a maximum of 90 days plus the addition of 7 or 15 bonus days if the employee uses equal to or less than the average of 10 or 5 sick days per year in the final three years of service. Certified severance is payable over two years. Payments to classified employees retiring from the School District are equal to one fourth of their unused sick leave not to exceed 100 days paid. Severance costs are anticipated to decrease in fiscal year 2015 due to fewer employees receiving a severance payment and from the final year of an early retirement incentive being paid out.

Other salaries are comprised of attendance bonuses and an insurance opt-out that is paid to staff. This line is anticipated to increase over fiscal year 2014 based on payments already made during the current fiscal year.

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

	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Actual Fiscal Year 2014	Forecast Fiscal Year 2015	Variance Increase (Decrease)
Certified Salaries	3,771,000	3,474,000	3,336,000	3,464,000	128,000
Classified Salaries	865,000	917,000	904,000	897,000	(7,000)
Substitute Salaries	168,000	156,000	147,000	158,000	11,000
Supplemental Contracts	160,000	250,000	188,000	193,000	5,000
Overtime	18,000	26,000	26,000	24,000	(2,000)
Severance	184,000	144,000	126,000	86,000	(40,000)
Board Members	7,000	7,000	7,000	7,000	0
Other Salaries and Wages	47,000	49,000	34,000	41,000	7,000
Totals	<u>5,220,000</u>	<u>5,023,000</u>	<u>4,768,000</u>	<u>4,870,000</u>	<u>102,000</u>

**Employees' Retirement/Insurance Benefits**

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

Retirement costs are based on the employers' contribution rate of 14 percent of salaries for STRS and SERS and an additional SERS surcharge levied to fund healthcare benefits for employees earnings less than a minimum salary amount. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from differences between the estimates and the actual amounts are prorated over the next calendar year. The School District pays the employee retirement contributions for the superintendent and treasurer. Retirement costs are anticipated to increase for fiscal year 2015 due to having three additional certified employees.

In years past, SERS has been paid six months in arrears by Ohio school districts. On March 18, 2010, the SERS board decided to give the school districts two options. Option one was for school districts to pay the six month arrearage by June 30, 2010, to become current. Option two was for SERS to spread the six month arrearage amount over the next six years adding to the current payment. Brookfield Local School District has chosen option two, which will increase their annual payment by \$15,744 per year. The total arrearage amount is \$31,488.

Hospitalization, vision, and dental health care costs are based on monthly premiums set by the Trumbull County Schools Insurance Consortium. Health care premiums are currently set for a twelve month period from July 1, 2014 to June 30, 2015. 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 cancelled vision coverage effective September 1, 2011.

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Current health care rates are as follows:

**Single Rates:**

	<u>Medical</u>	<u>Dental</u>	<u>Life</u>	<u>Total</u>
January 1, 2014 to June 30, 2014	\$476.89	\$36.28	\$4.75	\$517.92
July 1, 2014 to June 30, 2015	476.89	29.80	4.75	511.44

**Family Rates:**

	<u>Medical</u>	<u>Dental</u>	<u>Life</u>	<u>Total</u>
January 1, 2014 to June 30, 2014	\$1,240.84	\$118.76	\$4.75	\$1,364.35
July 1, 2014 to June 30, 2015	1,240.84	97.56	4.75	1,343.15

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. There was not a premium increase for medical insurance between the rates at the end of fiscal year 2014 and fiscal year 2015. There was a premium decrease for dental insurance between the rates at the end of fiscal year 2014 and fiscal year 2015. In January 2015, the School District received a premium holiday for medical insurance. In July 2014, the School District received a premium holiday for dental insurance. The premium holidays resulted in a decrease in health care costs.

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. The School District may choose to pay the entire premium in May or 45 percent in May and 55 percent in August. The School District chooses to split their premium between May and August. The forecasted amount for fiscal year 2015 decreased due to a decrease in the workers' compensation rate for calendar year 2013 from 1.3374 percent to 1.1393 percent. The School District paid 55 percent of the calendar year 2013 premium in August 2014. The decrease was partially offset by an increase in workers' compensation rate for calendar year 2014 from 1.1393 percent to 1.1723 percent. The first payment for calendar year 2014 will be paid in May 2015. Medicare is based on a percentage of wages for all employees hired after April 1, 1986.

Other benefits include unemployment claims, tuition reimbursement and annuity payments for the treasurer and superintendent. Other benefits are expected to decrease in fiscal year 2015 from a reduction in anticipated unemployment expenses.

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

	<u>Actual Fiscal Year 2012</u>	<u>Actual Fiscal Year 2013</u>	<u>Actual Fiscal Year 2014</u>	<u>Forecast Fiscal Year 2015</u>	<u>Variance Increase (Decrease)</u>
Employer's Retirement	\$805,000	\$717,000	\$697,000	\$723,000	\$26,000
Health Care/Life Insurance	993,000	962,000	964,000	887,000	(77,000)
Workers' Compensation	72,000	73,000	70,000	68,000	(2,000)
Medicare	56,000	57,000	58,000	64,000	6,000
Other Benefits	43,000	27,000	40,000	28,000	(12,000)
Totals	<u>\$1,969,000</u>	<u>\$1,836,000</u>	<u>\$1,829,000</u>	<u>\$1,770,000</u>	<u>(\$59,000)</u>

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**Purchased Services**

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

	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Actual Fiscal Year 2014	Forecast Fiscal Year 2015	Variance Increase (Decrease)
Professional and Technical Services	\$182,000	\$194,000	\$154,000	\$167,000	\$13,000
Property Services	209,000	212,000	309,000	301,000	(8,000)
Travel and Meeting Expenses	15,000	10,000	11,000	11,000	0
Communication Costs	35,000	27,000	28,000	30,000	2,000
Utility Services	292,000	257,000	250,000	254,000	4,000
Tuition Payments	1,511,000	1,282,000	1,299,000	1,263,000	(36,000)
Pupil Transportation	167,000	177,000	171,000	171,000	0
Totals	<u>\$2,411,000</u>	<u>\$2,159,000</u>	<u>\$2,222,000</u>	<u>\$2,197,000</u>	<u>(\$25,000)</u>

Professional and technical services are anticipated to increase in fiscal year 2015 due to expected increases in legal fees due to the School District negotiating certified contracts. Property services are forecast to decrease from the prior fiscal year due to a decreased amount expected to be spent for repairs. Travel and meeting expenses will remain consistent with the prior fiscal year amount. Communication costs will increase slightly due to increases in postage prices. Utility services are anticipated to increase due to an increase in the cost of electric and water and sewage rates. Tuition payments are forecasted to decrease due to fewer students leaving the School District for open enrollment into nearby schools. Pupil transportation is anticipated to remain consistent with the prior fiscal year amount.

**Supplies and Materials**

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

	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Actual Fiscal Year 2014	Forecast Fiscal Year 2015	Variance Increase (Decrease)
General Supplies, Library Books and Periodicals	\$266,000	\$149,000	\$204,000	\$140,000	(\$64,000)
Operations, Maintenance and Repair	(2,000)	0	8,000	8,000	0
Transportation	212,000	212,000	147,000	156,000	9,000
Textbooks	14,000	3,000	3,000	25,000	22,000
Totals	<u>\$490,000</u>	<u>\$364,000</u>	<u>\$362,000</u>	<u>\$329,000</u>	<u>(\$33,000)</u>

Supplies and materials are anticipated to decrease during fiscal year 2015. General supplies, library books and periodicals are expected to decrease from the prior fiscal year due to the School District replenishing supply levels in the prior fiscal year. Operations, maintenance and repairs are expected to remain consistent with the prior fiscal year. Transportation expenditures are expected to increase due to increases in costs associated with the new service provider. Textbooks expenditures are anticipated to increase during fiscal year 2015 as the School District is purchasing a series for elementary reading beginning in fiscal year 2015.

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**Capital Outlay**

The costs of property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. In fiscal year 2015, the School District is forecasting capital outlays to increase, due to the School District entering into a bus purchase agreement for three busses and making small improvements.

**Debt Service**

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

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

During fiscal year 2015, the School District issued \$800,000 in tax anticipation notes at 2.10 percent due June 30, 2015. The School District will pay \$8,000 in interest on these notes during fiscal year 2015. These notes are being repaid with property tax revenues.

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

During fiscal year 2014, the School District received a \$514,000 solvency assistance advance. The School District will pay \$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. The forecasted other object expenditures amount is higher than the prior fiscal year primarily due to increased amounts of dues and fees expenditures.

**Operating Transfers/Advances Out**

For fiscal year 2015, no transfers or advances are anticipated to be made.

**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. No encumbrances for purchased services, supplies and materials, capital outlay and other objects are forecast for the fiscal year ended June 30, 2015.

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**Note 9 – Capital Acquisition and Improvements Set-Aside**

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

The set aside amount for fiscal year 2015 is forecasted to be \$190,000. The School District anticipates annual qualified expenditures and offsets to exceed the required set-aside amount in fiscal year 2015. Therefore, no reserve amount is forecasted.

**Note 10 - Levies**

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

<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Term</u>	<u>Tax Year Expiration Date</u>	<u>Election Results</u>
November 2003	Limited Operating	4 Mills	5 years	2008	Failed
May 2004	Continuing Operating	4 Mills	Continuing	n/a	Failed
November 2004	Continuing Operating	4 Mills	Continuing	n/a	Failed
February 2005	Continuing Operating	7 Mills	Continuing	n/a	Failed
May 2005	Continuing Operating	7 Mills	Continuing	n/a	Failed
November 2005	Emergency Operating	7 Mills	5 years	2010	Failed
November 2007	Bond Issue Combination	\$14,810,000	28 years	2035	Passed
November 2012	Operating	1 percent	5 years	2017	Failed
May 2013	Operating	4.85 Mills	Continuing	n/a	Passed

**Note 11 - Pending Litigation**

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

**Note 12 - Financial Planning and Supervision Commission**

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

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**Note 13 - Information Related to Periods Beyond the Forecast Period**

The School District is required to annually prepare and file a five-year financial plan with the Ohio Department of Education after approval by resolution of the Board of Education. Management believes that the following information, although it does not constitute a financial forecast, is necessary in order for users to make a meaningful analysis of the forecast results. The plan filed with the Ohio Department of Education in October 2014 covered fiscal years 2015 through 2019 and assumes the continued operation of the School District. The plan assumes staff changes for fiscal years 2015 through 2019. At that time, the School District anticipated an accumulated operating deficit of \$210,000 by the end of fiscal year 2019.

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





# Dave Yost • Auditor of State

**BROOKFIELD LOCAL SCHOOL DISTRICT**

**TRUMBULL COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 12, 2015**