



Dave Yost • Auditor of State

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

**Financial Forecast
For the Fiscal Year Ending June 30, 2013**

Local Government Services Section

Brookfield Local School District
Trumbull County

Table of Contents

Title	Page
Table of Contents	1
Certification	2
Independent Accountant's Report.....	3
Statement of Revenues, Expenditures and Changes in Fund Balance for the Fiscal Years Ended June 30, 2010 through 2012 Actual; Fiscal Year Ending June 30, 2013 Forecasted	4
Summary of Significant Forecast Assumptions and Accounting Policies	5



Dave Yost • Auditor of State

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 3316.03, Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the financial forecast of the general fund of the Brookfield Local School District, Trumbull County, Ohio, and issued a report dated April 26, 2013. The forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecast reflects an operating deficit for the fiscal year ending June 30, 2013 of \$1,018,000.

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 2014 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 2013.

DAVE YOST
Auditor of State

A handwritten signature in cursive script that reads "Unice S. Smith".

Unice S. Smith
Chief of Local Government Services

May 14, 2013



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, 2013. The Brookfield Local School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

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

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

The statement of revenues, expenditures and changes in fund balance arising from cash transactions of the general fund for the fiscal years ended June 30, 2010, 2011 and 2012 were compiled by us and we have not audited or reviewed the accompanying financial statements, and, accordingly, we do not express an opinion or provide any assurance about whether the financial statements are in accordance with the cash basis of accounting. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements. Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that no material modifications that should be made to the financial statements. Management has chosen to omit the disclosures associated with the cash basis of accounting.

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

DAVE YOST
Auditor of State

April 26, 2013

Brookfield Local School District
 Trumbull County
 Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Fiscal Years Ended June 30, 2010 Through 2012 Actual;
 For the Fiscal Year Ending June 30, 2013 Forecasted
 General Fund

	Fiscal Year 2010 Actual	Fiscal Year 2011 Actual	Fiscal Year 2012 Actual	Fiscal Year 2013 Forecasted
Revenues				
General Property Tax	\$2,638,000	\$2,641,000	\$2,630,000	\$2,618,000
Tangible Personal Property Tax	19,000	10,000	11,000	0
Unrestricted Grants-in-Aid	5,280,000	5,085,000	5,404,000	5,196,000
Restricted Grants-in-Aid	35,000	44,000	43,000	33,000
Restricted Federal Grants-in-Aid-SFSF	359,000	515,000	212,000	0
Property Tax Allocation	949,000	984,000	749,000	566,000
All Other Revenues	379,000	497,000	526,000	617,000
<i>Total Revenues</i>	<u>9,659,000</u>	<u>9,776,000</u>	<u>9,575,000</u>	<u>9,030,000</u>
Other Financing Sources				
Proceeds from Sale of Notes	0	0	0	600,000
Advances-In	0	0	590,000	0
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>590,000</u>	<u>600,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>9,659,000</u>	<u>9,776,000</u>	<u>10,165,000</u>	<u>9,630,000</u>
Expenditures				
Personal Services	4,878,000	5,024,000	5,220,000	5,004,000
Employees' Retirement/Insurance Benefits	1,841,000	1,853,000	1,969,000	1,843,000
Purchased Services	2,303,000	2,391,000	2,411,000	2,095,000
Supplies and Materials	429,000	539,000	490,000	391,000
Capital Outlay	0	8,000	0	0
Debt Service:				
Principal-Tax Anticipation Note	0	0	0	600,000
Interest	8,000	0	0	5,000
Other Objects	118,000	102,000	106,000	100,000
<i>Total Expenditures</i>	<u>9,577,000</u>	<u>9,917,000</u>	<u>10,196,000</u>	<u>10,038,000</u>
Other Financing Uses				
Advances Out	0	0	0	620,000
<i>Total Expenditures and Other Financing Uses</i>	<u>9,577,000</u>	<u>9,917,000</u>	<u>10,196,000</u>	<u>10,658,000</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	82,000	(141,000)	(31,000)	(1,028,000)
Cash Balance (Deficit) July 1	100,000	182,000	41,000	10,000
Unencumbered/Unreserved Fund Balance (Deficit) June 30	<u>\$182,000</u>	<u>\$41,000</u>	<u>\$10,000</u>	<u>(\$1,018,000)</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, 2013

Note 1 – The School District

The Brookfield Local School District (School District) is located in Trumbull County and includes all of Brookfield Township, Masury Township and the Village of Yankee Lake. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates one instructional/administrative building. The School District is staffed by 55 non-certified and 69 certificated personnel who provide services to 1,219 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 April 26, 2013, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 – Nature of the Presentation

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

Note 4 - Summary of Significant Accounting Policies

Basis of Accounting

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

Brookfield Local School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2013

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.

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.

Brookfield Local School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2013

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 fiscal year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

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

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

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

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

Note 5 - General Operating Assumptions

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

Note 6 - Significant Assumptions for Revenues and Other Financing Sources

General and Tangible Personal Property Taxes

Property taxes are applied to real property, public utility real and personal property and manufactured homes which are located within the School District. Tangible personal property used in businesses was

Brookfield Local School District

Trumbull County

Summary of Significant Assumptions and Accounting Policies For the Fiscal Year Ending June 30, 2013

taxed in calendar years prior to 2011. Property taxes are collected for, and distributed to, the School District by the county auditor and treasurer. Settlement dates, on which collections are distributed to the School District, are established by State statute. The School District may request advances from the Trumbull County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

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 2013 (the collection year) for real and public utility property taxes represents collections of 2012 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 2014 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 2013.

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 year of collection, and the full tax rate are as follows:

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

The School District also has a classroom facilities levy equal to \$.50 per \$1,000 of assessed valuation and two debt service levies totaling \$7.25 per \$1,000 of assessed valuation. The School District's total tax rate is \$51.85 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

Brookfield Local School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2013

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 \$29.52 per \$1,000 of assessed valuation for collection year 2013, and the effective commercial and industrial real property tax rate is \$33.16 per \$1,000 of assessed valuation for collection year 2013.

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. Tangible personal property used in business was taxed in calendar years prior to 2011. No tangible personal property taxes are 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. The School District anticipates a decrease of \$12,000 from the prior fiscal year due to slightly lower assessed values.

Tangible Personal Property Tax – Tangible personal property tax was levied on machinery and equipment, furniture and fixtures, and inventory of businesses. Effective for tax years 2005 and 2006, the assessment rate on personal property began a phase out of the tax. No tangible personal property taxes were levied or collected in calendar year 2011 from general business taxpayers and no tangible personal property tax on telephone property was collected in 2012. The State of Ohio reimbursed the School District for the loss of tangible personal property taxes as a result of the changes in House Bill 66 within certain limitations (see Property Tax Allocation below).

Unrestricted Grants-in-Aid

Beginning in fiscal year 2010, the State General Assembly adopted a new funding method called the Ohio Evidence-Based Model (OEBM). The Ohio Evidence-Based Model was established in Chapter 3306 of the Ohio Revised Code and linked educational research on academic achievement and successful outcomes with funding components to achieve results. It incorporated real financial data and socioeconomic factors to fund resources and implement proven school programs according to the student need to achieve educational adequacy. The adequacy amount was the sum of service support components for instruction, administrative, operations and maintenance, gifted and enrichment, professional development and an instructional materials factor. These factors were multiplied against the Ohio education challenge factor (a district's wealth factor) and the State-wide base salary for given positions and the number of positions funded. Other factors included in the calculation were student/teacher ratios, organizational units, and average daily membership (ADM). The adequacy amount was offset by the school district share of the adequacy amount (the charge off amount), which was equal to 22 mills for fiscal year 2010 and 2011, 21 mills for 2012 and 2013, and 20 mills for 2014 and thereafter.

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

Brookfield Local School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2013

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

Beginning in fiscal year 2012, the administration of Governor John Kasich proposed to move away from the Ohio Evidence Based Model to a new funding method. However, since a new funding mechanism is 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 is devised. This transitional approach is referred to as the Bridge formula. The Bridge formula divides the fiscal year 2011 OEBM funding by a calculated ADM to determine the per pupil funding. The per pupil funding is then multiplied by the fiscal year 2012 and 2013 ADM. The adequacy amount is offset by the school district share of the adequacy amount (the charge off amount), which is equal to 21 mills of property taxes for fiscal year 2012. In addition to this adjustment, each school district's fiscal year 2013 funding is further adjusted so that the district receives at least the total funding it received in fiscal year 2012 after subtracting the state fiscal stabilization funds from total funding as well as to provide financial incentives for high performing districts. For fiscal year 2013, the School District estimates \$5,172,000 in adequacy funding which is a decrease of \$232,000 based on the allocation allotted by the Ohio Department of Education.

Beginning in fiscal year 2013, the School District is receiving additional unrestricted grants-in-aid revenue due to casino revenue. The first two casinos opened in Ohio in May 2012, with two more casinos to follow. 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 \$24,000, for a total unrestricted grants-in-aid amount of \$5,196,000.

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 2013, the School District anticipates \$33,000 in restricted grants-in-aid monies for career technologies.

Restricted Federal Grants-in-Aid

In fiscal years 2010 and 2011, restricted federal grants-in-aid consisted of State Fiscal Stabilization Funds and the Education Jobs grant monies. In 2010, Ohio was allocated \$845 million from the American Recovery and Reinvestment Act in State Fiscal Stabilization Funds (SFSF) to help stabilize state and local budgets in order to minimize and avoid reductions in education and other essential services. SFSF for primary and secondary education is distributed to school districts as part of the foundation settlement payments twice a month. These funds have limited restrictions on their use. The School District received \$795,000 for fiscal years 2010 and 2011 and chose to use these funds for teacher salaries. SFSF has not been reauthorized by the Federal government.

In 2010, Congress passed, and the President signed, legislation that provides \$10 billion in resources to assist local school districts in saving or creating education jobs during fiscal years 2011 and 2012. The Education Jobs grant may be used only for compensation and benefits and other expenses, such as support services, necessary to retain existing employees, to recall or rehire former employees, and to hire new employees, in order to provide early childhood, elementary, or secondary educational and related

Brookfield Local School District
Trumbull County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2013

services. These funds had limited restrictions on their use. The School District received \$290,000 in fiscal years 2011 and 2012 and chose to use these funds for salaries for teachers.

Property Tax Allocation

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

Historically, the State exempted the first \$10,000 in general business personal property from taxation and reimbursed the School District for the lost revenue. Beginning with tax year 2004, the State began phasing out the reimbursement by 10 percent each year. Under House Bill 66, the phase-out period was accelerated. The last reimbursement for this exemption was in October 2008.

In fiscal year 2006, the State began reimbursing the School District for lost revenue due to the phase out of tangible personal property tax. In the first five years, the School District will be fully reimbursed relative to prior law for revenue lost due to the taxable value of reductions through 2013. House Bill 153 further accelerated the phase out of tangible personal property tax reimbursements. Reimbursement is based upon a measure of reliance on reimbursement revenue. The reimbursement is calculated by comparing the School District's fiscal year 2011 reimbursement to the total resources of the School District and comparing that to a State-wide threshold percentage. For fiscal year 2013, the School District anticipates receiving \$156,000 of reimbursement for the tangible personal property tax phase out.

Property tax allocation revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2010	Actual Fiscal Year 2011	Actual Fiscal Year 2012	Forecasted Fiscal Year 2013	Variance
Homestead and Rollback	\$384,000	\$404,000	\$407,000	\$410,000	\$3,000
Utility Deregulation	28,000	56,000	0	0	0
Tangible Personal Property Loss Reimbursement	537,000	524,000	342,000	156,000	(186,000)
Totals	\$949,000	\$984,000	\$749,000	\$566,000	(\$183,000)

All Other Revenues

All other revenues include tuition, interest, student class fees, rentals, sale of capital assets and other revenue.

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

Interest is based on historical investment practices and anticipated rates and cash balances during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the

Brookfield Local School District
Trumbull County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2013

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 with the prior fiscal year due to similar interest rates.

The School District has several school buildings that were closed in prior fiscal years. During fiscal year 2013 these buildings and their contents are being sold, resulting in increased revenue from sale of capital assets.

Refund of prior year expenditures for the forecasted fiscal year was based on historical data of the last two fiscal years.

All other revenues consist of the following:

	Actual Fiscal Year 2010	Actual Fiscal Year 2011	Actual Fiscal Year 2012	Forecasted Fiscal Year 2013	Variance Increase (Decrease)
Open Enrollment and Other Tuition	\$276,000	\$359,000	\$309,000	\$307,000	(\$2,000)
Transportation Reimbursement	1,000	42,000	27,000	1,000	(26,000)
Interest	3,000	3,000	1,000	1,000	0
Student Class Fees	8,000	4,000	4,000	3,000	(1,000)
Rentals	26,000	26,000	13,000	14,000	1,000
Donations	0	2,000	7,000	9,000	2,000
Sale of Capital Assets	0	0	0	154,000	154,000
E-Rate Reimbursements	10,000	13,000	9,000	23,000	14,000
Medicaid School Program	17,000	17,000	20,000	31,000	11,000
Refund of Prior Year Expenditures	0	22,000	3,000	0	(3,000)
Other	38,000	9,000	133,000	74,000	(59,000)
Totals	<u>\$379,000</u>	<u>\$497,000</u>	<u>\$526,000</u>	<u>\$617,000</u>	<u>\$91,000</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.

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

Note 7 - Significant Assumptions for Expenditures and Other Financing Uses

Personal Services

Personal services expenditures represent the salaries and wages paid to certified employees, classified and administrative staff, substitutes, tutors, and board members. In addition to regular salaries, it includes payment for supplemental contracts, severance pay, retirement incentive, attendance bonus, and overtime. All employees receive their compensation on a bi-weekly basis. Administrative and non-bargaining unit

Brookfield Local School District
Trumbull County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2013

salaries are set by the Board of Education. Staffing levels for the last three fiscal years and the current fiscal year staff levels are displayed in the chart below.

	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013
General Fund:				
Certified	65	60	65	57
Classified	33	41	42	45
Total General Fund	<u>98</u>	<u>101</u>	<u>107</u>	<u>102</u>
Other Funds:				
Certified	14	14	11	12
Classified	29	30	20	10
Total Other Funds	<u>43</u>	<u>44</u>	<u>31</u>	<u>22</u>
Totals	<u>141</u>	<u>145</u>	<u>138</u>	<u>124</u>

Certified (teaching) staff salaries are based on a negotiated contract which includes base and step increases. The contract covers the period of June 30, 2011 through June 29, 2014, and allows for no increase in the base salary for fiscal year 2013. Step increases ranged from two to five percent for the period covered and for fiscal year 2013, the average step awarded was approximately 4 percent. This increase is offset by a reduction in certified staffing for fiscal year 2013 resulting in an overall decrease in certified salaries.

Classified salaries are based on a negotiated contract which includes base and step increases. The contract covers the period beginning June 30, 2011 through June 30, 2014. The contract allows for a one percent increase in base wages for fiscal years 2012 through 2014. Step increases range from one to two percent for the period covered. These increases as well as an increase in classified staffing results in an increase in classified salaries for fiscal year 2013.

Supplemental salaries are based on a negotiated contract. The contract allows for a one percent increase in base wages for fiscal year 2013. The increase in supplemental salaries is due to this increase as well as some fiscal year 2012 supplemental salaries being paid in fiscal year 2013.

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

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

The School District anticipates a decrease in certified and classified severance and retirement incentive payments during fiscal year 2013 due to fewer employees being paid severance in the current fiscal year.

Brookfield Local School District
Trumbull County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2013

Presented below is a comparison of salaries and wages for fiscal years 2010 through 2013.

	Fiscal Year 2010 Actual	Fiscal Year 2011 Actual	Fiscal Year 2012 Actual	Fiscal Year 2013 Forecast	Variance
Certified Salaries	\$3,622,000	\$3,668,000	\$3,817,000	\$3,533,000	(\$284,000)
Classified Salaries	877,000	920,000	884,000	951,000	67,000
Substitute Salaries	150,000	132,000	168,000	159,000	(9,000)
Supplemental Contracts	181,000	217,000	160,000	209,000	49,000
Severance Pay and Retirement Incentive	44,000	81,000	184,000	144,000	(40,000)
Board Members	4,000	6,000	7,000	8,000	1,000
Totals	<u>\$4,878,000</u>	<u>\$5,024,000</u>	<u>\$5,220,000</u>	<u>\$5,004,000</u>	<u>(\$216,000)</u>

Employees' Retirement/Insurance Benefits

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

Retirement costs are based on the employers' contribution rate of 14 percent of salaries for STRS and SERS and an additional SERS surcharge levied to fund healthcare benefits for employees earning less than a minimum salary amount. STRS and SERS payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from differences between the estimates and the actual amounts are prorated over the next calendar year for STRS and the next fiscal year for SERS. The School District pays the employee's retirement contributions for the Treasurer and Superintendent. Retirement costs are anticipated to decrease for 2013 and follow the fluctuations in total salaries.

Hospitalization, vision, life, and dental health care costs are based on monthly premiums set by the Trumbull County Schools Insurance Consortium. Health care premiums are currently set for a six month period from January 2013 to June 2013. All funds are charged for the number of employees participating in the program and the type (single or family) of coverage provided to each employee. The health care program includes medical/surgical, prescription drug, and dental care. The School District discontinued vision coverage effective September 1, 2011. Current healthcare rates are as follows:

	Medical	Dental	Vision	Life	Total
July 1, 2012 to December 31, 2012	\$476.89	\$37.02	\$0.00	\$4.00	\$517.91
January 1, 2013 to June 30, 2013	476.89	36.28	0.00	4.75	517.92

Family Rates:

	Medical	Dental	Vision	Life	Total
July 1, 2012 to December 31, 2012	\$1,240.84	\$121.18	\$0.00	\$4.00	\$1,366.02
July 1, 2012 to June 30, 2013	1,240.84	118.76	0.00	4.75	1,364.35

Employees of the School District contribute 5 to 10 percent of the premium for health insurance depending upon the employee's hire date. Health care costs for fiscal year 2013 are forecast to decrease due to fewer employees on the health care plan.

Brookfield Local School District
Trumbull County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2013

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. The School District may choose to pay the entire premium in May or 45 percent in May and 55 percent in September. The School District chooses to split their premium between May and September. The School District forecasts workers' compensation to increase during fiscal year 2013.

Medicare is forecast to increase during fiscal year 2013 due to the School District hiring new employees paying into medicare replacing employees who have retired who did not have a medicare deduction. Other benefits include social security, unemployment and tuition reimbursement. Teachers are reimbursed for tuition expenses involved in continuing their education.

Presented below is a comparison of employees' retirement and insurance for the fiscal years 2010 through 2013:

	Fiscal Year 2010 Actual	Fiscal Year 2011 Actual	Fiscal Year 2012 Actual	Fiscal Year 2013 Forecast	Variance
Employer's Retirement	\$713,000	\$741,000	\$805,000	\$719,000	(\$86,000)
Health Care/Life Insurance	989,000	968,000	993,000	967,000	(26,000)
Workers' Compensation	81,000	73,000	72,000	73,000	1,000
Medicare	49,000	48,000	56,000	57,000	1,000
Other Benefits	9,000	23,000	43,000	27,000	(16,000)
Totals	\$1,841,000	\$1,853,000	\$1,969,000	\$1,843,000	(\$126,000)

Purchased Services

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

	Actual Fiscal Year 2010	Actual Fiscal Year 2011	Actual Fiscal Year 2012	Forecast Fiscal Year 2013	Variance
Professional and Technical Services	\$136,000	\$148,000	\$182,000	\$191,000	\$9,000
Property Services	181,000	206,000	209,000	184,000	(25,000)
Travel and Meeting Expenses	15,000	16,000	15,000	10,000	(5,000)
Communication Cost	32,000	32,000	35,000	25,000	(10,000)
Utility Services	234,000	263,000	292,000	257,000	(35,000)
Tuition Payments	1,540,000	1,603,000	1,511,000	1,265,000	(246,000)
Pupil Transportation	165,000	123,000	167,000	163,000	(4,000)
Totals	\$2,303,000	\$2,391,000	\$2,411,000	\$2,095,000	(\$316,000)

Purchased services are anticipated to decrease mainly due to a decrease in property services, utility and tuition payments. Property services are forecasted to decrease due to the School District anticipating fewer repairs related to the new building. Utility payments are forecasted to decrease due to the School District only having one instructional building which utilizes geothermal energy. In prior years, the School District used gas to heat the three instructional buildings. Tuition payments in fiscal year 2013 are forecast to decrease due to fewer students attending other school districts and community schools.

Brookfield Local School District
Trumbull County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2013

Supplies and Materials

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

	Actual Fiscal Year 2010	Actual Fiscal Year 2011	Actual Fiscal Year 2012	Forecast Fiscal Year 2013	Variance
General Supplies, Library Books, Textbooks, and Periodicals	\$218,000	\$208,000	\$280,000	\$160,000	(\$120,000)
Operations, Maintenance and Repair	79,000	34,000	(2,000)	0	2,000
Transportation	132,000	297,000	212,000	231,000	19,000
Totals	\$429,000	\$539,000	\$490,000	\$391,000	(\$99,000)

General supplies, library books and periodicals are forecasted to decrease in fiscal year 2013 due to the School District replenishing supplies in fiscal year 2012 for the opening of the new building. Transportation is forecasted to increase as additional repairs are needed on the aging bus fleet as well as a slight increase in diesel fuel prices.

Capital Outlay

The acquisition or construction of property, plant and equipment acquired or used for instructional and support services is recorded as capital outlay. The School District does not anticipate the need to purchase any capital related items fiscal year 2013 from the general fund. If an expenditure is made, it will be from a capital projects fund.

Debt

During fiscal year 2013, the School District issued \$600,000 in tax anticipation notes at 1.75 percent due June 30, 2013. The School District will pay \$5,000 in interest on these notes during fiscal year 2013. These notes are being repaid with property tax revenues.

Other Objects

Other object expenditures consist of auditor and treasurer fees, membership dues and fees, insurance and awards. Other objects expenditures are forecasted in the amount of \$100,000 for fiscal year 2013. This \$6,000 decrease is due to a decrease in the County Auditor and Treasurer fees. This decrease was offset by an increase in the financial audit fees.

Advances Out

During fiscal year 2012, the general fund received an advance of \$590,000 from the capital projects fund. This advance is being repaid during fiscal year 2013. Advances in the amount of \$30,000 are anticipated during fiscal year 2013 of the forecast period. The advances are for grant monies in funds in which the funds will receive revenues at a later date. The advances are expected to be repaid within one year.

Brookfield Local School District
Trumbull County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2013

Note 8 - Encumbrances

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

The District did not have encumbrances for purchased services, supplies and materials, capital outlay and other objects for fiscal years 2010 and 2011. Encumbrances for fiscal year 2013 are anticipated to remain at the same level.

Note 9 - Capital Acquisition and Improvements Set-Aside

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

The set aside amount for fiscal year 2013 is forecasted to be \$201,000. The School District anticipates \$63,000 in offsets and \$399,000 in qualifying expenditures during the current fiscal year. Therefore, no reserve amount is anticipated for the forecast period.

Note 10 - Levies

Since 2002, the School District has placed several levies on the ballot. The type of levy, millage amount, term, expiration date and election results are as follows:

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

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.

Brookfield Local School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2013

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Dave Yost • Auditor of State

BROOKFIELD LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 14, 2013**