

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

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2014***

DAVID DRAWL, TREASURER



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Brookfield Local School District, Trumbull County, prepared by Julian & Grube, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

May 8, 2015

This page intentionally left blank.

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

BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 2
Management’s Discussion and Analysis	3 - 10
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities.....	16
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund.....	17
Statement of Fiduciary Net Position - Fiduciary Funds	18
Statement of Changes in Fiduciary Net Position - Fiduciary Fund	19
Notes to the Basic Financial Statements.....	20 - 45
Supplementary Data:	
Schedule of Receipts and Expenditures of Federal Awards	46
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	47 - 48
Independent Auditor’s Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by <i>OMB Circular 133</i>	49 - 51
Schedule of Findings and Questioned Costs <i>OMB Circular 133 § .505</i>	52 - 58
Status of Prior Audit Findings	59 - 60

This page intentionally left blank.



Julian & Grube, Inc.

Serving Ohio Local Governments

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

Independent Auditor's Report

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brookfield Local School District, Trumbull County, Ohio, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Brookfield Local School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Brookfield Local School District, Trumbull County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Receipts and Expenditures of Federal Awards (the "Schedule") presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2015, on our consideration of the Brookfield Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Brookfield Local School District's internal control over financial reporting and compliance.



Brookfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

As management of the Brookfield Local School District (the School District), we offer readers of the School District's financial statements this narrative and analysis of the financial activities of the School District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

- In total, net position decreased as a result of a much smaller amount of construction costs being expensed as instruction and support service costs rather than capitalized in fiscal year 2014.
- The capital asset additions for fiscal year 2014 included the purchase of four used busses, a security system and equipment.
- In fiscal year 2014, the School District received an interest free State Solvency Assistance Advance in the amount of \$514,000 to be repaid over fiscal years 2015 and 2016.
- Outstanding long-term obligations decreased during fiscal year 2014 due to annual general obligation debt and capital lease payments.

Overview of the Financial Statements

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

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

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

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

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

Brookfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Table 1 provides a comparison of the School District's net position for 2014 compared to 2013.

Brookfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 1
 Net Position
 Governmental Activities

	2014	2013	Change
Assets			
Current and Other Assets	\$6,434,786	\$5,980,446	\$454,340
Capital Assets, Net	32,754,144	33,616,322	(862,178)
Total Assets	39,188,930	39,596,768	(407,838)
Liabilities			
Current Liabilities	2,692,900	2,686,119	(6,781)
Long-Term Liabilities			
Due Within One Year	378,210	392,874	14,664
Due in More Than One Year	13,912,715	14,252,839	340,124
Total Liabilities	16,983,825	17,331,832	348,007
Deferred Inflows of Resources	4,147,058	3,832,063	(314,995)
Net Position			
Net Investment in Capital Assets	19,373,415	19,955,788	(582,373)
Restricted for:			
Capital Projects	246,351	554,980	(308,629)
Debt Service	235,029	195,161	39,868
Other Purposes	84,726	19,047	65,679
Unrestricted (Deficit)	(1,881,474)	(2,292,103)	410,629
Total Net Position	\$18,058,047	\$18,432,873	(\$374,826)

Current assets increased due to an increase in cash and cash equivalents resulting from (1) an increase in property taxes and intergovernmental monies and (2) lower program expenditures due to fewer construction projects (including the demolition of old buildings) in fiscal year 2014. The decrease in total program expenditures was due to decreases in capital expenditures due to construction projects being completed. The decrease in capital assets was due to current year depreciation outpacing additions to capital assets.

Current liabilities increased during fiscal year 2014 due to increases in accounts payable. Long-term liabilities decreased which can be attributed to annual payments on the School District's general obligation bonds and capital leases.

Brookfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2 shows the changes in net position for fiscal year 2014 compared to 2013.

Table 2
 Changes in Net Position
 Governmental Activities

	2014	2013	Change
Program Revenues			
Charges for Services and Sales	\$588,715	\$668,009	(\$79,294)
Operating Grants, Interest and Contributions	1,658,395	1,702,461	(44,066)
Capital Grants and Contributions	0	800	(800)
<i>Total Program Revenues</i>	<u>2,247,110</u>	<u>2,371,270</u>	<u>(124,160)</u>
General Revenues			
Property Taxes	3,879,845	3,534,760	345,085
Grants and Entitlements	5,683,029	5,623,772	59,257
Investment Earnings	758	933	(175)
Miscellaneous	189,294	161,284	28,010
<i>Total General Revenues</i>	<u>9,752,926</u>	<u>9,320,749</u>	<u>432,177</u>
<i>Total Revenues</i>	<u>12,000,036</u>	<u>11,692,019</u>	<u>308,017</u>
Program Expenses			
Instruction:			
Regular	5,345,893	6,148,257	802,364
Special	1,373,427	1,605,969	232,542
Vocational	81,319	92,998	11,679
Support Services			
Pupil	508,067	593,377	85,310
Instructional Staff	456,880	491,942	35,062
Board of Education	21,933	20,659	(1,274)
Administration	994,748	1,137,729	142,981
Fiscal	323,148	361,813	38,665
Business	47,578	31,811	(15,767)
Operation and Maintenance of Plant	948,770	1,108,508	159,738
Pupil Transportation	643,508	650,151	6,643
Central	59,132	44,508	(14,624)
Operation of Food Services	536,149	619,198	83,049
Extracurricular Activities	353,522	382,383	28,861
Interest and Fiscal Charges	680,788	953,228	272,440
<i>Total Program Expenses</i>	<u>12,374,862</u>	<u>14,242,531</u>	<u>1,867,669</u>
<i>Change in Net Position</i>	(374,826)	(2,550,512)	2,175,686
Net Position Beginning of Year	<u>18,432,873</u>	<u>20,983,385</u>	<u>(2,550,512)</u>
Net Position End of Year	<u>\$18,058,047</u>	<u>\$18,432,873</u>	<u>(\$374,826)</u>

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

Brookfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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

Thus school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 32.33 percent of revenues for governmental activities for Brookfield Local School District in fiscal year 2014 versus 30.23 percent in fiscal year 2013.

Total program expenses, including instruction, decreased from the prior fiscal year because a much smaller amount of construction costs (such as demolition of old buildings) were expensed rather than capitalized in fiscal year 2014, as well as to a decrease in professional and technical services.

The *statement of activities* shows the cost of program services and charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for 2014 compared to 2013. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Brookfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2014		2013	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction:				
Regular	\$5,345,893	\$4,883,164	\$6,148,257	\$5,624,037
Special	1,373,427	293,260	1,605,969	529,818
Vocational	81,319	72,899	92,998	60,527
Support Services:				
Pupil	508,067	508,067	593,377	593,377
Instructional Staff	456,880	425,991	491,942	450,929
Board of Education	21,933	21,933	20,659	20,659
Administration	994,748	974,748	1,137,729	1,127,229
Fiscal	323,148	323,148	361,813	361,813
Business	47,578	47,578	31,811	31,811
Operation and Maintenance of Plant	948,770	893,186	1,108,508	1,052,602
Pupil Transportation	643,508	643,508	650,151	650,151
Central	59,132	59,132	44,508	44,508
Operation of Food Services	536,149	24,431	619,198	78,514
Extracurricular Activities	353,522	275,919	382,383	292,058
Interest and Fiscal Charges	680,788	680,788	953,228	953,228
Total	<u>\$12,374,862</u>	<u>\$10,127,752</u>	<u>\$14,242,531</u>	<u>\$11,871,261</u>

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

Financial Analysis of the Government's Funds

Information about the School District's major funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. Due to reductions in expenditures as a result of cost savings measures being taken, the general fund had an increase in fund balance. The bond retirement fund had a slight increase in fund balance resulting from higher delinquent property tax collections.

General Fund Budgeting Highlights

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

During the course of fiscal year 2014, the School District amended its general fund budget numerous times. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

Brookfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

For the general fund, the final budget basis revenue estimate was higher than the original budget estimate. The change was attributed mainly to an increase in property tax revenue as collections were made in a more timely manner.

The final budget appropriations were higher than the original budget appropriations of the general fund. The change was attributed to increases in estimate for instructional activities and support services as the School District's current year requirements became more apparent.

Capital Assets and Long-term Obligations

Capital Assets

Table 4 shows fiscal 2014 balances compared to fiscal 2013.

Table 4
 Capital Assets at June 30
 Governmental Activities

	2014	2013
Land	\$1,169,151	\$1,169,151
Land Improvements	1,309,981	1,390,598
Buildings and Improvements	29,386,713	30,021,686
Furniture and Equipment	879,027	1,031,125
Vehicles	9,272	3,762
Total Capital Assets	\$32,754,144	\$33,616,322

The decrease in capital assets was due to the current year depreciation outpacing additional purchases. During fiscal year 2014, the School District purchased four used busses, a cash register, a security system and computer software and servers. For more information about the School District's capital assets, see Note 9 to the basic financial statements.

Long-term Obligations

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

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

	2014	2013
General Obligation Bonds	\$13,698,187	\$13,964,749
Capital Leases Payable	0	9,805
Total	\$13,698,187	\$13,974,554

On April 17, 2008, the School District issued \$14,810,729 in voted general obligation bonds for the purpose of paying the local share of school construction under the State of Ohio Classroom Facilities Assistance Program. The bonds were issued for a twenty-eight year period with a final maturity at

Brookfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

January 15, 2036 and will be retired from the debt service fund. For more information about the School District's long-term obligations, see Note 15 to the basic financial statements.

Current Related Financial Activities

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

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

Contacting the School District's Financial Management Personnel

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

Brookfield Local School District

Statement of Net Position

June 30, 2014

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$830,666
Cash and Cash Equivalents With Fiscal Agents	68,617
Accounts Receivable	1,628
Intergovernmental Receivable	286,561
Inventory Held for Resale	5,200
Materials and Supplies Inventory	29
Property Taxes Receivable	5,242,085
Nondepreciable Capital Assets	1,169,151
Depreciable Capital Assets, Net	<u>31,584,993</u>
<i>Total Assets</i>	<u>39,188,930</u>
Liabilities	
Accounts Payable	75,816
Accrued Wages and Benefits	888,673
Intergovernmental Payable	250,483
Matured Compensated Absences Payable	83,210
Retainage Payable	68,617
Accrued Interest Payable	303,101
Solvency Assistance Advance Payable	1,023,000
Long-Term Liabilities:	
Due Within One Year	378,210
Due In More Than One Year	<u>13,912,715</u>
<i>Total Liabilities</i>	<u>16,983,825</u>
Deferred Inflows of Resources	
Property Taxes	<u>4,147,058</u>
Net Position	
Net Investment in Capital Assets	19,373,415
Restricted for:	
Capital Projects	246,351
Debt Service	235,029
Other Purposes	84,726
Unrestricted (Deficit)	<u>(1,881,474)</u>
<i>Total Net Position</i>	<u><u>\$18,058,047</u></u>

See accompanying notes to the basic financial statements

Brookfield Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Interest and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$5,345,893	\$331,523	\$131,206	(\$4,883,164)
Special	1,373,427	0	1,080,167	(293,260)
Vocational	81,319	0	8,420	(72,899)
Support Services:				
Pupil	508,067	0	0	(508,067)
Instructional Staff	456,880	0	30,889	(425,991)
Board of Education	21,933	0	0	(21,933)
Administration	994,748	0	20,000	(974,748)
Fiscal	323,148	0	0	(323,148)
Business	47,578	0	0	(47,578)
Operation and Maintenance of Plant	948,770	17,320	38,264	(893,186)
Pupil Transportation	643,508	0	0	(643,508)
Central	59,132	0	0	(59,132)
Operation of Food Services	536,149	164,973	346,745	(24,431)
Extracurricular Activities	353,522	74,899	2,704	(275,919)
Interest and Fiscal Charges	680,788	0	0	(680,788)
<i>Totals</i>	<u>\$12,374,862</u>	<u>\$588,715</u>	<u>\$1,658,395</u>	<u>(10,127,752)</u>
General Revenues				
Property Taxes Levied for:				
				2,986,446
				838,934
				54,465
Grants and Entitlements not				
				5,683,029
				758
				189,294
				<u>9,752,926</u>
				(374,826)
				<u>18,432,873</u>
				<u>\$18,058,047</u>

See accompanying notes to the basic financial statements

Brookfield Local School District

*Balance Sheet
Governmental Funds
June 30, 2014*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$0	\$545,201	\$285,465	\$830,666
Restricted Assets:				
Cash and Cash Equivalents				
With Fiscal Agents	0	0	68,617	68,617
Accounts Receivable	1,208	0	420	1,628
Intergovernmental Receivable	20,137	0	266,424	286,561
Interfund Receivable	379,731	0	43,094	422,825
Inventory Held for Resale	0	0	5,200	5,200
Materials and Supplies Inventory	0	0	29	29
Property Taxes Receivable	4,134,846	1,038,983	68,256	5,242,085
<i>Total Assets</i>	<u>\$4,535,922</u>	<u>\$1,584,184</u>	<u>\$737,505</u>	<u>\$6,857,611</u>
Liabilities				
Accounts Payable	\$56,950	\$0	\$18,866	\$75,816
Accrued Wages and Benefits	748,261	0	140,412	888,673
Interfund Payable	43,094	0	379,731	422,825
Intergovernmental Payable	229,213	0	21,270	250,483
Matured Compensated Absences Payable	83,210	0	0	83,210
Solvency Assistance Advance Payable	1,023,000	0	0	1,023,000
Payable from Restricted Assets:				
Retainage Payable	0	0	68,617	68,617
<i>Total Liabilities</i>	<u>2,183,728</u>	<u>0</u>	<u>628,896</u>	<u>2,812,624</u>
Deferred Inflows of Resources				
Property Taxes	3,284,969	808,868	53,221	4,147,058
Unavailable Revenue	854,699	226,784	281,241	1,362,724
<i>Total Deferred Inflows of Resources</i>	<u>4,139,668</u>	<u>1,035,652</u>	<u>334,462</u>	<u>5,509,782</u>
Fund Balances				
Nonspendable	0	0	29	29
Restricted	0	548,532	285,160	833,692
Unassigned (Deficit)	(1,787,474)	0	(511,042)	(2,298,516)
<i>Total Fund Balances (Deficit)</i>	<u>(1,787,474)</u>	<u>548,532</u>	<u>(225,853)</u>	<u>(1,464,795)</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$4,535,922</u>	<u>\$1,584,184</u>	<u>\$737,505</u>	<u>\$6,857,611</u>

See accompanying notes to the basic financial statements

Brookfield Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2014*

Total Governmental Fund Balances	(\$1,464,795)
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	32,754,144
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	
Delinquent Property Taxes	1,079,177
Intergovernmental	<u>283,547</u>
Total	1,362,724
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(303,101)
Long-term liabilities payable are not due and payable in the current period and therefore are not reported in the funds.	
General Obligation Bonds	(13,698,187)
Early Retirement Incentive	(15,000)
Compensated Absences	<u>(577,738)</u>
Total	<u>(14,290,925)</u>
 <i>Net Position of Governmental Activities</i>	 <u><u>\$18,058,047</u></u>

See accompanying notes to the basic financial statements

Brookfield Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$2,918,537	\$819,300	\$53,558	\$3,791,395
Intergovernmental	6,198,746	145,788	874,522	7,219,056
Interest	758	0	40	798
Tuition and Fees	293,627	0	120	293,747
Extracurricular Activities	37,896	0	74,779	112,675
Contributions and Donations	5,609	0	2,704	8,313
Charges for Services	0	0	164,973	164,973
Rentals	17,320	0	0	17,320
Miscellaneous	178,041	0	11,253	189,294
<i>Total Revenues</i>	<u>9,650,534</u>	<u>965,088</u>	<u>1,181,949</u>	<u>11,797,571</u>
Expenditures				
Current:				
Instruction:				
Regular	4,497,453	0	75,736	4,573,189
Special	823,797	0	532,299	1,356,096
Vocational	80,468	0	0	80,468
Support Services:				
Pupil	498,849	0	0	498,849
Instructional Staff	415,397	0	24,614	440,011
Board of Education	14,532	0	0	14,532
Administration	981,910	0	19,960	1,001,870
Fiscal	303,287	19,412	1,269	323,968
Business	46,975	0	0	46,975
Operation and Maintenance of Plant	825,835	0	108,652	934,487
Pupil Transportation	625,250	0	0	625,250
Central	28,299	0	0	28,299
Operation of Food Services	0	0	495,524	495,524
Extracurricular Activities	235,482	0	90,838	326,320
Capital Outlay	0	0	164,479	164,479
Debt Service:				
Principal Retirement	9,805	270,000	0	279,805
Interest and Fiscal Charges	10,919	670,763	0	681,682
<i>Total Expenditures</i>	<u>9,398,258</u>	<u>960,175</u>	<u>1,513,371</u>	<u>11,871,804</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>252,276</u>	<u>4,913</u>	<u>(331,422)</u>	<u>(74,233)</u>
Other Financing Sources (Uses)				
Transfers In	0	0	24,642	24,642
Transfers Out	(24,642)	0	0	(24,642)
<i>Total Other Financing Sources (Uses)</i>	<u>(24,642)</u>	<u>0</u>	<u>24,642</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	227,634	4,913	(306,780)	(74,233)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(2,015,108)</u>	<u>543,619</u>	<u>80,927</u>	<u>(1,390,562)</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$1,787,474)</u>	<u>\$548,532</u>	<u>(\$225,853)</u>	<u>(\$1,464,795)</u>

See accompanying notes to the basic financial statements

Brookfield Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2014*

Net Change in Fund Balances - Total Governmental Funds (\$74,233)

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

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

Capital Asset Additions	51,451
Current Year Depreciation	<u>(913,629)</u>

Total (862,178)

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

Delinquent Property Taxes	88,450
Intergovernmental	<u>114,015</u>

Total 202,465

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 279,805

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

Accrued Interest on Bonds	4,332
Bond Accretion	(14,427)
Amortization of Premium on Bonds	<u>10,989</u>

Total 894

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

Compensated Absences	63,421
Early Retirement Incentive	<u>15,000</u>

78,421

Change in Net Position of Governmental Activities (\$374,826)

See accompanying notes to the basic financial statements

Brookfield Local School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$1,926,583	\$2,940,020	\$2,940,020	\$0
Intergovernmental	5,949,861	6,226,784	6,226,784	0
Interest	593	780	780	0
Tuition and Fees	159,052	294,147	294,147	0
Contributions and Donations	4,500	6,900	6,900	0
Rentals	6,952	21,221	21,221	0
Miscellaneous	91,854	178,887	178,887	0
<i>Total Revenues</i>	<u>8,139,395</u>	<u>9,668,739</u>	<u>9,668,739</u>	<u>0</u>
Expenditures				
Current:				
Instruction:				
Regular	4,281,567	4,461,935	4,461,935	0
Special	821,703	835,516	835,516	0
Vocational	45,048	80,403	80,403	0
Support Services:				
Pupil	471,688	496,710	496,710	0
Instructional Staff	382,572	409,094	409,094	0
Board of Education	5,890	12,532	12,532	0
Administration	872,864	956,595	956,595	0
Fiscal	145,382	301,785	301,785	0
Business	32,551	46,023	46,023	0
Operation and Maintenance of Plant	821,878	850,873	850,873	0
Pupil Transportation	509,275	600,245	600,245	0
Central	13,858	28,299	28,299	0
Extracurricular Activities	153,284	238,264	238,264	0
Debt Service:				
Principal Retirement	1,300,000	1,318,805	1,318,805	0
Interest and Fiscal Charges	2,440	10,919	10,919	0
<i>Total Expenditures</i>	<u>9,860,000</u>	<u>10,647,998</u>	<u>10,647,998</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,720,605)</u>	<u>(979,259)</u>	<u>(979,259)</u>	<u>0</u>
Other Financing Sources (Uses)				
Tax Anticipation Notes Issued	300,000	800,000	800,000	0
Solvency Assistance Advance Proceeds	509,000	514,000	514,000	0
Advances Out	0	0	(379,731)	(379,731)
Transfers Out	0	0	(24,642)	(24,642)
<i>Total Other Financing Sources (Uses)</i>	<u>809,000</u>	<u>1,314,000</u>	<u>909,627</u>	<u>(404,373)</u>
<i>Net Change in Fund Balance</i>	(911,605)	334,741	(69,632)	(404,373)
<i>Fund Balance Beginning of Year</i>	<u>2,942</u>	<u>2,942</u>	<u>2,942</u>	<u>0</u>
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$908,663)</u>	<u>\$337,683</u>	<u>(\$66,690)</u>	<u>(\$404,373)</u>

See accompanying notes to the basic financial statements

Brookfield Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Private Purpose Trust	
	College Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$3,135	\$21,719
Liabilities		
Due to Students	0	\$21,719
Net Position		
Held in Trust for Scholarships	\$3,135	

See accompanying notes to the basic financial statements

Brookfield Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2014

	<u>College Scholarship</u>
Additions	
Contributions and Donations	\$500
Deductions	
Scholarships Awarded	<u>500</u>
<i>Change in Net Position</i>	0
<i>Net Position Beginning of Year</i>	<u>3,135</u>
<i>Net Position End of Year</i>	<u><u>\$3,135</u></u>

See accompanying notes to the basic financial statements

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 1 - Description of the School District

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's 3 instructional/support facilities staffed by 74 certified employees and 53 classified employees who provide services to 1,107 students and other community members.

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

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

Reporting Entity

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

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

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

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 2 - Summary of Significant Accounting Policies

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

Basis of Presentation

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

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

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

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

Fund Accounting

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

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

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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

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

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

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

Measurement Focus

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

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

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

Basis of Accounting

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

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Budgetary Data

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

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

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year. Prior to June 30, the Board passed an appropriation resolution which closely matched actual expenditures during the fiscal year plus encumbrances outstanding at fiscal year-end.

Cash and Cash Equivalents

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

The School District utilizes a financial institution to account for a retainage account. The balance in this account is presented as "Restricted Assets: Cash and Cash Equivalents with Fiscal Agents."

During fiscal year 2014, investments were limited to STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on June 30, 2014.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$758 all of which is assigned from other School District funds.

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

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Inventory

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

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the classroom facilities capital projects fund represent a retainage account that is used to pay the retainage on construction contracts.

Capital Assets

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 - 30 years
Buildings and Improvements	15 - 30 years
Furniture and Equipment	5 - 20 years
Vehicles	5 - 15 years

Interfund Balances

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

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Compensated Absences

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

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

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

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

Accrued Liabilities and Long-term Obligations

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

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

Fund Balance

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

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

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by the highest level formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

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

Net Position

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

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

Bond Premium

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

Estimates

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

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 3 – Accountability and Compliance

Accountability

Fund balances at June 30, 2014, included the following individual fund deficits:

General Fund	\$1,787,474
<i>Special Revenue Funds:</i>	
Classroom Facilities Maintenance	20,873
Athletics	12,802
Miscellaneous State Grants	14,206
Title VI-B	36,620
Title I	154,466
Reducing Class Size	10,824
<i>Capital Projects Fund:</i>	
Building	261,251

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

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

Compliance

The School District had appropriations in excess of estimated resources in certain funds, contrary to Sections 5705.39 and 5705.36 of the Ohio Revised Code.

The School District did not timely certify certain expenditures, contrary to Section 5705.41(D) of the Ohio Revised Code.

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

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 4 – Fund Balances

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

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total
<i>Nonspendable</i>				
Materials and Supplies Inventory	\$0	\$0	\$29	\$29
<i>Restricted for</i>				
Food Service Operations	0	0	36,823	36,823
Race to the Top	0	0	1,986	1,986
Debt Service Payments	0	548,532	0	548,532
Capital Improvements	0	0	246,351	246,351
<i>Total Restricted</i>	<u>0</u>	<u>548,532</u>	<u>285,160</u>	<u>833,692</u>
<i>Unassigned (Deficit)</i>	<u>(1,787,474)</u>	<u>0</u>	<u>(511,042)</u>	<u>(2,298,516)</u>
<i>Total Fund Balances (Deficit)</i>	<u><u>(\$1,787,474)</u></u>	<u><u>\$548,532</u></u>	<u><u>(\$225,853)</u></u>	<u><u>(\$1,464,795)</u></u>

Note 5 - Budgetary Basis of Accounting

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

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

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Net Change in Fund Balance	
GAAP Basis	\$227,634
Revenue Accruals	61,310
Tax Anticipation Note Proceeds	800,000
State Solvency Assistance Advance Proceeds	514,000
Expenditure Accruals	7,395
Principal Retirement	(1,309,000)
Advance Out	(379,731)
Perspective Difference:	
Public School Support	8,760
Budget Basis	(\$69,632)

Note 6 - Deposits and Investments

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

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

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

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

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

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

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$345,429 of the School District's bank balance of \$921,704 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments

As of June 30, 2014, the School District investments with STAR Ohio were \$23,154 and an average maturity of 51.4 days.

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

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

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Trumbull County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2014, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2014, was \$12,301 in the general fund, \$3,331 in the bond retirement debt service fund and \$218 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2013, was \$33,784 in the general fund, \$9,093 in the bond retirement debt service fund and \$610 in the classroom facilities maintenance special revenue fund.

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

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$115,369,990	92.24%	\$115,602,490	91.83%
Public Utility Personal	9,707,000	7.76	10,282,810	8.17
Total	\$125,076,990	100.00%	\$125,885,300	100.00%
Full Tax Rate per \$1,000 of assessed valuation	\$52.30		\$52.30	

Note 8 - Receivables

Receivables at June 30, 2014, consisted of accounts, taxes, interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
Title I Grant	\$212,480
Race to the Top Grant	23,163
Class Size Reduction Grant	18,465
SERS Overpayment Refund	17,123
Title VI-B Grant	7,158
Miscellaneous Federal Grants	5,158
Catastrophic Aid	3,014
Total	\$286,561

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

Governmental Activities	Balance 6/30/2013	Additions	Deductions	Balance 6/30/2014
<i>Capital Assets not being Depreciated:</i>				
Land	\$1,169,151	\$0	\$0	\$1,169,151
<i>Capital Assets being Depreciated:</i>				
Land Improvements	1,685,091	0	0	1,685,091
Buildings and Improvements	31,767,760	0	0	31,767,760
Furniture and Equipment	1,647,862	41,451	0	1,689,313
Vehicles	927,248	10,000	0	937,248
<i>Total Capital Assets being Depreciated</i>	36,027,961	51,451	0	36,079,412
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(294,493)	(80,617)	0	(375,110)
Buildings and Improvements	(1,746,074)	(634,973)	0	(2,381,047)
Furniture and Equipment	(616,737)	(193,549)	0	(810,286)
Vehicles	(923,486)	(4,490)	0	(927,976)
<i>Total Accumulated Depreciation</i>	(3,580,790)	(913,629) *	0	(4,494,419)
<i>Total Assets being Depreciated, Net</i>	32,447,171	(862,178)	0	31,584,993
<i>Governmental Activities Capital Assets, Net</i>	\$33,616,322	(\$862,178)	\$0	\$32,754,144

*Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$797,222
Support Services:	
Pupil	1,611
Instructional Staff	9,887
Board of Education	7,247
Administration	288
Operation and Maintenance of Plant	5,564
Pupil Transportation	8,092
Central	30,533
Food Service Operation	29,437
Extracurricular Activities	23,748
Total Depreciation Expense	\$913,629

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 10 - Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

Litigation

The School District is not party to legal proceedings as of June 30, 2014.

Note 11 - Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2014, the School District contracted with Schools of Ohio Risk Sharing Association for property and liability insurance.

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

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

The School District maintains replacement cost insurance on buildings and contents in the amount of \$38,864,009.

Settled claims have not exceeded commercial coverage in any of the past three years. There has been a reduction in insurance coverage from last year, due to the consolidation of school buildings.

Employee Health Benefits

The School District has contracted with the Trumbull County Schools Employee Insurance Benefits Consortium to provide employee medical/surgical/prescription drug benefits. The Trumbull County Schools Employee Insurance Benefits Consortium is a shared risk pool comprised of sixteen Trumbull County school districts. Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims. Employees can choose between two different medical/surgical/prescription plans. The School District provides full-time employees hired in July 2008 and prior with 95 percent Board paid hospitalization and prescription drugs. For full-time employees hired after July 2008, the Board paid 90 percent of the premiums for hospitalization and prescription drugs. If the School District were to withdraw from the consortium, there would be no liability because premium levels fund a reserve for subsequent claim payments. The School District provides dental coverage through Coresource which is not paid through the Trumbull County School Employee Insurance Benefits Consortium. The School District pays 100 percent of the dental premium for full-time employees.

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Worker's Compensation

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

Note 12 - Pension Plans

School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$167,368, \$171,464 and \$170,562, respectively. For fiscal year 2014, 94.22 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

State Teachers Retirement System

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent July 1, 2013, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$535,651 and \$16,059 for the fiscal year ended June 30, 2014, \$536,204 and \$18,708 for the fiscal year ended June 30, 2013, and \$599,831 and \$20,928 for the fiscal year ended June 30, 2012. For fiscal year 2014, 83.85 percent has been contributed for the DB plan and 83.85 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2014 were \$13,363 made by the School District and \$10,499 made by the plan members. In addition, member contributions of \$12,618 were made for fiscal year 2014 for the defined contribution portion of the Combined Plan.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2014, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

Note 13 - Postemployment Benefits

School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$22,408 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$24,197, \$21,848 and \$27,300, respectively. For fiscal year 2014, 94.22 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012, were \$9,710, \$9,686 and \$10,073, respectively. For fiscal year 2014, 94.22 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$41,204, \$41,246 and \$46,141 respectively. For fiscal year 2014, 83.85 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 14 – Short-Term Debt

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

	Outstanding 6/30/2013	Additions	Deletions	Outstanding 6/30/2014
Tax Anticipation Note - 1.75%	\$0	\$800,000	(\$800,000)	\$0
FY 2014 Solvency Assistance Advance	0	514,000	0	514,000
FY 2013 Solvency Assistance Advance	1,018,000	0	(509,000)	509,000
Total Short-Term Debt	<u>\$1,018,000</u>	<u>\$1,314,000</u>	<u>(\$1,309,000)</u>	<u>\$1,023,000</u>

In fiscal year 2014, the School District issued \$800,000 in tax anticipation notes for the purpose of paying current expenses. The tax anticipation notes were paid from the general fund with property tax revenue.

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

During fiscal year 2013, the School District received an interest free State solvency assistance advance in the amount of \$1,018,000. The State solvency assistance advance will be paid from the general fund with school foundation revenue. A liability for the notes is reflected in the general fund which received the proceeds. In fiscal year 2015, the School District will pay \$509,000 to retire the fiscal year 2013 solvency assistance loan.

Note 15 - Long-Term Obligations

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

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

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Changes in long-term obligations of the School District during fiscal year 2014 were as follows:

	Principal Outstanding 6/30/13	Additions	Deductions	Principal Outstanding 6/30/14	Amounts Due in One Year
General Obligation Bonds					
2008 OSFC Various Purpose Imp Bonds					
Serial Bonds	\$1,210,000	\$0	(\$270,000)	\$940,000	\$280,000
Capital Appreciation Bonds	215,729	0	0	215,729	0
Accretion on Capital Appreciation Bonds	65,845	14,427	0	80,272	0
Term Bonds	12,225,000	0	0	12,225,000	0
Unamortized Premium	248,175	0	(10,989)	237,186	0
<i>Total General Obligation Bonds</i>	<u>13,964,749</u>	<u>14,427</u>	<u>(280,989)</u>	<u>13,698,187</u>	<u>280,000</u>
Other Long-Term Obligations					
Capital Lease Payable	9,805	0	(9,805)	0	0
Early Retirement Incentive	30,000	0	(15,000)	15,000	15,000
Compensated Absences	641,159	34,648	(98,069)	577,738	83,210
<i>Total Other Long-Term Obligations</i>	<u>680,964</u>	<u>34,648</u>	<u>(122,874)</u>	<u>592,738</u>	<u>98,210</u>
Total Governmental Activities					
<i>Long-Term Liabilities</i>	<u>\$14,645,713</u>	<u>\$49,075</u>	<u>(\$403,863)</u>	<u>\$14,290,925</u>	<u>\$378,210</u>

Compensated absences will be paid from the general fund and the food service, classroom facilities maintenance, title VI-B, title I and reducing class size special revenue funds. Capital leases and the early retirement incentive will be paid from the general fund.

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

The serial, term and capital appreciation bonds remained outstanding at June 30, 2014. The capital appreciation bonds were originally sold at a discount of \$114,271, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2016 through 2017.

The maturity amount of outstanding capital appreciation bonds at June 30, 2014 is \$330,000. The accretion recorded for 2014 was \$14,427, for a total outstanding bond liability of \$296,001 at June 30, 2014.

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

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

The School District's overall debt margin was zero with an unvoted debt margin of \$125,885 at June 30, 2014. The School District has been designated as an "approved special needs school district" by the Ohio Superintendent of Public Instruction. As a result, any portion of the otherwise non-exempt debt authorized by the School District's voters in excess of the 9 percent limitation is exempted from the limitation pursuant to Revised Code Section 133.06(D)(2). Principal and interest requirements to retire general obligation bonds are as follows:

	General Obligation Bonds					
	Term		Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$0	\$624,600	\$280,000	\$36,713	\$0	\$0
2016	0	624,600	245,000	26,212	49,999	25,001
2017	0	624,600	75,000	17,025	165,730	89,270
2018	0	624,600	340,000	14,025	0	0
2019	425,000	624,600	0	0	0	0
2020-2024	2,510,000	2,778,000	0	0	0	0
2025-2029	3,210,000	2,084,000	0	0	0	0
2030-2034	4,115,000	1,184,387	0	0	0	0
2035-2036	1,965,000	156,187	0	0	0	0
Total	<u>\$12,225,000</u>	<u>\$9,325,574</u>	<u>\$940,000</u>	<u>\$93,975</u>	<u>\$215,729</u>	<u>\$114,271</u>

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 16 - Other Employee Benefits

Compensated Absences

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

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, certificated employees with ten or more years of service receive payment for twenty-five percent of the total sick leave accumulation up to a maximum of sixty days. Full-time classified employees with ten or more years of service upon retirement receive \$40 per day of unused sick leave up to a maximum of 240 days. Part-time classified employees with ten or more years of service upon retirement receive \$30 per day of unused sick leave up to a maximum of 240 days.

Early Retirement Incentive

During fiscal year 2012, the School District negotiated an early retirement incentive payment of \$15,000 for eligible certified employees. The incentive payment is made in three equal payments in January of the first, second and third consecutive year after retirement. The first payment was made on January 1, 2013. An employee is eligible if the employee retired from the State Teachers Retirement System with an effective retirement date of June 30, 2012 and submitted written notification to the School District of the intent to retire no later than June 1, 2012. There was a liability of \$15,000 as of June 30, 2014 for this plan.

Life Insurance Benefits

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

Note 17 - Interfund Transfers and Balances

Interfund Transfers

The general fund transferred \$21,699 and \$2,943 consecutively to the race to the top and title I special revenue funds to help provide funding for fiscal year 2014.

Interfund Balances

Interfund balances at June 30, 2014, consist of the following individual fund receivables and payables:

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Interfund Payable	Interfund Receivable		
	General	Other Governmental Funds	Total
General	\$0	\$43,094	\$43,094
<i>Other Governmental Funds:</i>			
Athletics	12,231	0	12,231
Miscellaneous State Grants	14,270	0	14,270
Title I	91,980	0	91,980
Building	261,250	0	261,250
<i>Total</i>	\$379,731	\$43,094	\$422,825

Interfund receivables and payables at June 30, 2014, are due to the timing of the receipt of grant monies and monies collected for some programs received by various funds. The general fund provides money to operate the programs until grants and other monies are received and the advances can be repaid. The general fund interfund payable is the result of deficit cash which can be attributed to the fiscal emergency situation currently affecting the School District. These loans are expected to be repaid in one year.

Note 18 - Jointly Governed Organizations

North Eastern Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. The School District paid \$21,063 to NEOMIN during fiscal year 2014.

The Governing board consists of ten members: The Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County participating school districts, three superintendents from Trumbull County participating school districts, the fiscal agent or NEOMIN). The School District was not represented on the Governing Board during fiscal year 2014. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

Trumbull County Career and Technical Center The Trumbull County Career and Technical Center is a distinct political subdivision of the State of Ohio providing vocational needs of the students. The center is operated under the direction of a Board consisting of one representative from each of the fifteen participating school districts' elected boards, which exercises total control over the operations of the Trumbull County Career and Technical Center including budgeting, appropriating, contracting and designating management. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. The School District did not contribute any amounts to the Trumbull County Career and Technical Center during fiscal year 2014. To obtain financial information write to the Trumbull County Career and Technical Center, Gary Ghizzoni, who serves as Treasurer, at 528 Educational Highway, Warren, Ohio 44483.

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 19 – Shared Risk Pools

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

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

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

Note 20 - Set-Aside Calculations

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

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

	Capital Improvements
Set-Aside Balance as of June 30, 2013	\$0
Current Year Set-aside Requirement	197,030
Current Year Offsets	(940,762)
Qualifying Disbursements	(324,684)
Total	(\$1,068,416)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set-Aside Balance as of June 30, 2014	\$0

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Note 21 – Financial Difficulties

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

During fiscal year 2013, the School District received an interest free State solvency assistance advance in the amount of \$1,018,000. The State solvency assistance advance will be paid from the general fund with school foundation revenue. A liability for the note is reflected in the general fund which received the proceeds. In each fiscal year 2014 and 2015, the School District will pay \$509,000 to retire the solvency assistance advance.

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

SUPPLEMENTARY DATA

**BROOKFIELD LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
(D) (E) Child Nutrition Grant Cluster: School Breakfast Program	10.553	2014	\$ 79,254	\$ 79,254
Total School Breakfast Program			<u>79,254</u>	<u>79,254</u>
(D) (E) National School Lunch Program	10.555	2014	30,836	30,836
(C) (D) National School Lunch Program - Food Donation	10.555	2014	230,455	230,455
Total National School Lunch Program			<u>261,291</u>	<u>261,291</u>
Total Child Nutrition Cluster			<u>340,545</u>	<u>340,545</u>
State Administrative Expenses for Child Nutrition	10.560	2014	-	11,170
Total U.S. Department of Agriculture			<u>340,545</u>	<u>351,715</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
(F) Title I Grants to Local Educational Agencies	84.010	2013	70,043	71,528
(F) Title I Grants to Local Educational Agencies	84.010	2014	245,334	272,137
Total Title I Grants to Local Educational Agencies			<u>315,377</u>	<u>343,665</u>
ARRA - (SFSF) - Race to the Top, Recovery Act - High School Higher Education Alignment	84.395A	2013	20,000	14,770
ARRA - (SFSF) - Race to the Top, Recovery Act - Ohio Instructional Leader Academy	84.395A	2014	13,693	13,693
ARRA - (SFSF) - Race to the Top, Recovery Act	84.395A	2013	14,279	1,126
ARRA - (SFSF) - Race to the Top, Recovery Act	84.395A	2014	27,756	25,769
Total Race to the Top Grants			<u>75,728</u>	<u>55,358</u>
(F) Special Education_Grants to States	84.027	2013	(42,528)	-
(F) Special Education_Grants to States	84.027	2014	249,965	246,118
Total Special Education _Grants to States			<u>207,437</u>	<u>246,118</u>
Improving Teacher Quality State Grants	84.367	2013	10,442	3,874
Improving Teacher Quality State Grants	84.367	2014	54,516	52,664
Total Improving Teacher Quality State Grants			<u>64,958</u>	<u>56,538</u>
Rural Education	84.358	2014	7,210	6,210
Total Rural Education Grants			<u>7,210</u>	<u>6,210</u>
Total U.S. Department of Education			<u>670,710</u>	<u>707,889</u>
Total Federal Financial Assistance			<u>\$ 1,011,255</u>	<u>\$ 1,059,604</u>

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass-through numbers for fiscal year 2014.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (D) Included as part of the "Child Nutrition Cluster" in determining major programs.
- (E) Commingled with state and local revenue from sales of breakfast and lunches; assumed expenditures were made on a first-in, first-out basis.
- (F) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2014, the ODE authorized the following transfers:

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
Title I Grants to Local Educational Agencies	84.010	2013	\$ 65,176	
Title I Grants to Local Educational Agencies	84.010	2014		\$ 65,176
Special Education_Grants to States	84.027	2013	69,270	
Special Education_Grants to States	84.027	2014		69,270
Totals			<u>\$ 134,446</u>	<u>\$ 134,446</u>



Julian & Grube, Inc.
Serving Ohio Local Governments

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

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brookfield Local School District, Trumbull County, Ohio, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Brookfield Local School District's basic financial statements and have issued our report thereon dated February 18, 2015, wherein we noted as described in Note 21, on May 14, 2013, the Auditor of State declared the Brookfield Local School District to be in a state of fiscal emergency as defined by Ohio Revised Code Section 3316.03(B)(1).

Internal Control Over Financial Reporting

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

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

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

Board of Education
Brookfield Local School District

Compliance and Other Matters

A part of reasonably assuring whether the Brookfield Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed four instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2014-001 through 2014-004.

Brookfield Local School District's Responses to Findings

The Brookfield Local School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Brookfield Local School District's responses and accordingly, we express no opinion on them.

Purpose of this Report

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



Julian & Grube, Inc.
February 18, 2015



Julian & Grube, Inc.

Serving Ohio Local Governments

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

Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Brookfield Local School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Brookfield Local School District's major federal programs for the fiscal year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings and questioned costs identifies the Brookfield Local School District's major federal programs.

Management's Responsibility

The Brookfield Local School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Brookfield Local School District's compliance for each of the Brookfield Local School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Brookfield Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Board of Education
Brookfield Local School District

Basis for Qualified Opinion on Title I Grants to Local Educational Agencies

As described in findings 2014-006 through 2014-008 in the accompanying schedule of findings and questioned costs, the Brookfield Local School District did not comply with requirements regarding the following:

Finding Number	CFDA #	Program or Cluster Name	Compliance Requirement
2014-006	84.010	Title I Grants to Local Educational Agencies	Activities Allowed or Unallowed
2014-007	84.010	Title I Grants to Local Educational Agencies	Allowable Costs/Cost Principles
2014-008	84.010	Title I Grants to Local Educational Agencies	Eligibility

Compliance with these requirements is necessary, in our opinion, for the Brookfield Local School District to comply with the requirements applicable to this program.

Qualified Opinion on Title I Grants to Local Educational Agencies

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on Title I Grants to Local Educational Agencies paragraph, the Brookfield Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Title I Grants to Local Educational Agencies major federal program for the fiscal year ended June 30, 2014.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the Brookfield Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its other major federal program identified in the Summary of Auditor's Results section of the accompanying schedule of findings and questioned costs for the fiscal year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings and questioned costs as item 2014-005. This finding did not require us to modify our compliance opinion on the major federal program.

The Brookfield Local School District's responses to our noncompliance findings are described in the accompanying schedule of findings and questioned costs. We did not audit the Brookfield Local School District's responses, and accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

The Brookfield Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Brookfield Local School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Brookfield Local School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

Board of Education
Brookfield Local School District

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-006 through 2014-008 to be material weaknesses.

The Brookfield Local School District's responses to our internal control over compliance findings are described in the accompanying schedule of findings and questioned costs. We did not audit the Brookfield Local School District's responses and accordingly, we express no opinion on them.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Julian & Grube, Inc.
February 18, 2015

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified - Child Nutrition Cluster; Qualified - Title I Grants to Local Educational Agencies
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	Yes
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Child Nutrition Cluster: School Breakfast Program (CFDA #10.553) and National School Lunch Program (CFDA #10.555); Title I Grants to Local Educational Agencies (CFDA #84.010)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

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

Finding Number	2014-001
----------------	----------

Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the disbursement of monies are to be made unless there is certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The District did not properly certify eighteen percent of the disbursements tested.

Without proper certification, the District may expend more funds than available in the treasury or in the process of collection, or than funds appropriated. It may also result in unnecessary or undesirable purchases.

We recommend that all orders or contracts involving the disbursement of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. The District should consider using "Then" and "Now" certificates where applicable.

Client Response: It is in the intent of the District to improve compliance by more closely following as described in the finding to ensure prior certification for exceptions to ORC 5704.41 (D) and, when necessary, to have the Board of Education approve payments by resolution.

Finding Number	2014-002
----------------	----------

Ohio Revised Code Sections 5705.36, in part, requires School District Treasurers to certify to the County Auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

During the fiscal year ended June 30, 2014, the District's appropriations exceeded its estimated resources in certain funds.

The District had appropriations exceeding its resources which could lead to spending monies not collected or expected to be collected, and thus could lead to a negative fund balance.

We recommend the District first evaluate its certified estimated resources prior to modifying/approving appropriations to ensure appropriations are less than or equal to certified estimated resources.

Client Response: The District will attempt to monitor its estimated revenues and appropriations more closely and will request amended certificates as needed.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2014-003

Ohio Revised Code Section 5705.39 in part requires that total appropriations from each fund should not exceed total estimated resources.

The District had appropriations in excess of estimated resources at June 30, 2014 in the following funds:

	Estimated Resources	Appropriations	Excess
<u>Nonmajor Funds:</u>			
Title I	\$ 248,743	\$ 343,665	\$ 94,922
Building	(250,575)	10,676	261,251

With appropriations exceeding estimated resources, the District is appropriating monies that are not in the Treasury or in the process of collection that have been certified with the County Auditor. Thus, over appropriating may cause disbursements to increase and cause a deficit fund balance.

We recommend the District comply with the Ohio Revised Code by monitoring appropriations so they do not exceed estimated resources. This may be achieved by monitoring the budget more closely on a continual basis and amending estimated resources or appropriations as necessary.

Client Response: The Treasurer will attempt to update estimated revenues on a more timely basis.

Finding Number	2014-004
----------------	----------

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

At October 31, 2013 and March 31, 2014, the District had the following negative fund balances:

	Negative Fund Balance October 31, 2013	Negative Fund Balance March 31, 2014
<u>Nonmajor Funds:</u>		
Building	\$ 261,250	\$ 261,250
Bond Retirement	28,439	N/A
Food Service	225,406	110,792
Extracurricular Activities	42,381	27,587
Classroom Facilities	22,593	55,926

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2014-004 - (Continued)

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

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

Client Response: The District in the future will advance monies from the General fund if necessary to cover temporary fund deficits.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

Finding Number	2014-005
CFDA Title and Number	Title I Grants to Local Educational Agencies CFDA # 84.010
Federal Award Number/Year	2014
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance - Reporting

34 CFR 80.43 identifies the following remedies for noncompliance with federal regulations:

(a) If a grantee or subgrantee materially fails to comply with any term of an award, whether stated in a Federal statute or regulation, an assurance, in a State plan or application, a notice of award, or elsewhere, the awarding agency may take one or more of the following actions, as appropriate in the circumstances:

- (1) Temporarily withhold cash payments pending correction of the deficiency by the grantee or subgrantee or more severe enforcement action by the awarding agency,
- (2) Disallow (that is, deny both use of funds and matching credit for) all or part of the cost of the activity or action not in compliance,
- (3) Wholly or partly suspend or terminate the current award for the grantee's or subgrantee's program,
- (4) Withhold further awards for the program, or
- (5) Take other remedies that may be legally available.

The District failed to file its Final Expenditure Report (FER) within (90) ninety days of the project ending date for the Title I Grants to Local Education Agencies federal grant. As a result, the above actions could apply to future funding awarded to the District.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - (Continued)

We recommend the Treasurer file the Final Expenditure Report (FER) for each project funding period within (90) ninety days of the project ending date. This will help ensure future federal grant funding will not be restricted by any means.

Client Response and Corrective Action Plan: The filing of the FER was delayed due to several factors affecting the District at the time. The District will attempt to timely file its FER going forward for all applicable grants.

Finding Number	2014-006
CFDA Title and Number	Title I Grants to Local Educational Agencies; CFDA # 84.010
Federal Award Number/Year	2014
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance/Material Weakness – Activities Allowed or Unallowed

Per OMB Circular A-133, in a targeted assistance school, funds available under Part A may be used only for programs that are designed to help participating children meet the State’s student academic achievement standards expected of all children. Allowable activities in these schools include, but are not limited to, instructional programs, counseling, mentoring, other pupil services, college and career awareness and preparation, services to prepare students for the transition from school to work, services to assist preschool children in the transition to elementary school, parental involvement activities, and professional staff development.

The District’s elementary school was eligible to operate under a targeted assistance program during the fiscal year. However, the District used Title I funds as a reduction of classroom size in order to pay for the salaries and benefits of teachers at the District’s elementary school. This practice is allowed under a schoolwide program, but is unallowed under a targeted assistance program.

By not complying with federal requirements, the District is at risk of additional oversight by the grantor agency, as well as potential reductions in grant funding and/or repayment of misspent funds.

We recommend the District review OMB Circular A-133 requirements in relation to targeted assistance eligibility and allowable program disbursements, or consult with the Ohio Department of Education (ODE) for further assistance. Furthermore, we recommend the District consider applying with ODE to become a schoolwide program.

Client Response and Corrective Action Plan: The District has operated its Title I program in this manner over the past several years and had not received any guidance they were operating the program incorrectly. The District has contacted ODE for assistance with the implementation of a schoolwide program, which has taken effect in the 2014-2015 school year.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - (Continued)

Finding Number	2014-007
CFDA Title and Number	Title I Grants to Local Educational Agencies; CFDA # 84.010
Federal Award Number/Year	2014
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance/Material Weakness/Questioned Cost – Allowable Costs/Cost Principles

Per OMB Circular A-87, to be an allowable cost, federal expenditures must be necessary and reasonable for the performance and administration of federal awards; be authorized or not prohibited under State or local laws or regulations; conform to any limitations or exclusions set forth in A-87, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items; be determined in accordance with generally accepted accounting principles, except as otherwise provided in A-87; and be adequately documented.

The District used Title I funds as a reduction of classroom size in order to pay for the salaries and benefits of teachers at the District’s elementary school, which is prohibited for a targeted assistance program. Furthermore, there was insufficient documentation available detailing the Title I activities the teachers were providing, the students they were providing them to, and if these students were eligible to receive Title I benefits. Therefore, we are questioning total costs of \$343,665 in relation to the salaries and benefits paid to teachers and miscellaneous supplies paid from Title I funding.

By not complying with federal requirements, the District is at risk of additional oversight by the grantor agency, as well as potential reductions in grant funding and/or repayment of misspent funds.

We recommend the District review OMB Circular A-87 requirements in relation to targeted assistance eligibility and allowable program disbursements, or consult with the Ohio Department of Education (ODE) for further assistance. Furthermore, we recommend the District consider applying with ODE to become a schoolwide program.

Client Response and Corrective Action Plan: The District has operated its Title I program in this manner over the past several years and had not received any guidance they were operating the program incorrectly. The District has contacted ODE for assistance with the implementation of a schoolwide program, which has taken effect in the 2014-2015 school year.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - (Continued)

Finding Number	2014-008
CFDA Title and Number	Title I Grants to Local Educational Agencies; CFDA # 84.010
Federal Award Number/Year	2014
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance/Material Weakness – Eligibility

Per 20 USC §6315 a school operating a targeted assistance program must use Title I, Part A funds only for programs that are designed to meet the needs of children identified by the school as failing, or most at risk of failing, to meet the State’s challenging student academic achievement standards. In general, eligible children are identified on the basis of multiple, educationally related, objective criteria established by the local educational agency and supplemented by the school.

The District operated a targeted assistance program at its elementary school during the fiscal year and was unable to provide sufficient documentation detailing students eligible to receive Title I assistance or any objective criteria documenting why a student was eligible to receive Title I assistance.

By not complying with federal requirements, the District is at risk of additional oversight by the grantor agency, as well as potential reductions in grant funding and/or repayment of misspent funds.

We recommend the District review OMB Circular A-133 requirements in relation to targeted assistance eligibility and allowable program disbursements, or consult with the Ohio Department of Education (ODE) for further assistance. Furthermore, we recommend the District consider applying with ODE to become a schoolwide program.

Client Response and Corrective Action Plan: The District has operated its Title I program in this manner over the past several years and had not received any guidance they were operating the program incorrectly. The District has contacted ODE for assistance with the implementation of a schoolwide program, which has taken effect in the 2014-2015 school year.

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

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <u>Explain:</u>
2013-BLSD-001	<u>Noncompliance/Material Weakness/Questioned Cost - Allowable Costs/Cost Principles</u> - The District did not maintain a time reporting system for custodial employees, did not maintain a methodology for quantifying exactly how much of the utilities were used to prepare and service meals, nor did they submit an indirect cost recovery rate plan to ODE for approval.	Yes	N/A
2013-BLSD-002	<u>Noncompliance - Other</u> - The June 30, 2012 data collection form and reporting package were not filed in a timely manner per OMB Circular A-133 Section 200 (b) and OMB Circular A-133 Section 320 (a).	Yes	N/A
2013-BLSD-003	<u>Noncompliance - Reporting</u> - The District failed to files its Final Expenditure Report (FER) within 90 days of the project ending date for the Title I Grants to Local Education Agencies federal grant.	No	Repeated as finding 2014-005
2013-BLSD-004	<u>Noncompliance/Material Weakness - Activities Allowed or Unallowed</u> - The District's elementary school was eligible to operate under a targeted assistance program during the fiscal year. However, the District used Title I funds as a reduction of classroom size in order to pay for the salaries and benefits of teachers at the District's elementary school. This practice is allowed under a school-wide program, but is unallowed under a targeted assistance program.	No	Repeated as finding 2014-006

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

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <u>Explain:</u>
2013-BLSD-005	<u>Noncompliance/Material Weakness/Questioned Cost - Allowable Costs/Cost Principles</u> - The District used Title I funds as a reduction of classroom size in order to pay for the salaries and benefits of teachers at the District's elementary school, which is prohibited for a targeted assistance program. Furthermore, there was insufficient documentation available detailing the Title I activities the teachers were providing, the students they were providing them to, and if these students were eligible to receive Title I benefits.	No	Repeated as finding 2014-007
2013-BLSD-006	<u>Noncompliance/Material Weakness - Eligibility</u> - The District operated a targeted assistance program at its elementary school during the fiscal year and was unable to provide sufficient documentation detailing students eligible to receive Title I assistance or any objective criteria documenting why a student was eligible to received Title I assistance.	No	Repeated as finding 2014-008

This page intentionally left blank.



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 21, 2015**