

BROOKFIELD LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2020





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

We have reviewed the *Independent Auditor's Report* of Brookfield Local School District, Trumbull County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2019 through June 30, 2020. 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. Brookfield Local School District is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

March 02, 2021

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**Brookfield Local School District
Trumbull County**

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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 (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as our evaluation of the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2020, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 22 to the financial statements, the District adopted new guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

As discussed in Note 23 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. 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 that the management's discussion and analysis, and schedules of net pension liabilities, net OPEB assets/liabilities and pension and OPEB contributions listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance.


Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards (the Schedule) is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is not a required part of the financial statements.

The Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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 District's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
December 11, 2020

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Brookfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
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, 2020. 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

Key financial highlights for fiscal year 2020 are as follows:

- Net position decreased in fiscal year 2020 due mainly to changes in the net pension liability and net OPEB (asset) liability and the deferred outflows/inflows of resources associated with these liabilities coupled with a decrease in capital assets from current year depreciation exceeding current year additions offset by increases in cash due to unspent proceeds associated with the lease purchase obligation.
- Capital assets decreased in fiscal year 2020 as depreciation outpaced additions. Capital asset additions included new furniture and equipment.
- Outstanding long-term obligations increased during fiscal year 2020 due to the issuance of a lease obligation offset by decreases by annual debt 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).

Brookfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

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 food services and interest and fiscal charges.

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.

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 2020 compared to 2019.

Brookfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

Table 1
 Net Position
 Governmental Activities

	2020	2019	Change
Assets			
Current and Other Assets	\$9,003,648	\$7,822,354	\$1,181,294
Net OPEB Asset	626,659	619,272	7,387
Capital Assets, Net	28,046,467	28,599,883	(553,416)
Total Assets	37,676,774	37,041,509	635,265
Deferred Outflows of Resources			
Deferred Charge on Refunding	253,125	269,541	(16,416)
Pension	1,993,883	2,767,785	(773,902)
OPEB	212,200	116,689	95,511
Total Deferred Outflows of Resources	2,459,208	3,154,015	(694,807)
Liabilities			
Current Liabilities	1,381,287	1,352,043	(29,244)
Long-Term Liabilities			
Due Within One Year	643,646	581,409	(62,237)
Due in More Than One Year:			
Net Pension Liability	10,414,040	10,360,842	(53,198)
Net OPEB Liability	881,434	929,035	47,601
Other Amounts	12,363,688	12,174,415	(189,273)
Total Liabilities	25,684,095	25,397,744	(286,351)
Deferred Inflows of Resources			
Property Taxes	4,304,543	4,214,597	(89,946)
Pension	822,097	1,041,994	219,897
OPEB	1,136,928	1,205,820	68,892
Total Deferred Inflows of Resources	6,263,568	6,462,411	198,843
Net Position			
Net Investment in Capital Assets	16,487,641	16,684,068	(196,427)
Restricted for:			
Capital Projects	245,590	371,772	(126,182)
Debt Service	579,119	574,959	4,160
Other Purposes	229,424	210,909	18,515
Unrestricted (Deficit)	(9,353,455)	(9,506,339)	152,884
Total Net Position	\$8,188,319	\$8,335,369	(\$147,050)

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For the Fiscal Year Ended June 30, 2020
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The net pension liability (NPL) is one of the largest single liabilities reported by the School District at June 30, 2020. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. For the School District, total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$8,188,319 in fiscal year 2020 and \$8,335,369 in fiscal year 2019.

A large portion of the School District’s net position reflects “Net Investment in Capital Assets” (i.e. land, construction in progress, buildings, improvements, furniture, fixtures, equipment and vehicles) less any related debt to acquire those assets that are still outstanding. The School District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the School District’s investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The School District continues to provide the services that the School District residents expect while maintaining the costs of providing those services. The most dramatic changes were increases to cash and cash equivalents offset by increases debt issuances and also the changes from net pension/OPEB changes noted above. Cash and cash equivalents increased from fiscal year 2019 mainly due to the lease purchase having unspent cash proceeds from the issuance of the debt proceeds.

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for fiscal years 2020 and 2019.

Table 2
Changes in Net Position
Governmental Activities

	2020	2019	Change
Program Revenues			
Charges for Services and Sales	\$670,904	\$653,672	\$17,232
Operating Grants, Interest and Contributions	1,834,265	1,518,882	315,383
<i>Total Program Revenues</i>	<u>2,505,169</u>	<u>2,172,554</u>	<u>332,615</u>
General Revenues			
Property Taxes	4,308,647	4,283,183	25,464
Grants and Entitlements	5,910,665	6,624,289	(713,624)
Unrestricted Contributions	2,320	0	2,320
Investment Earnings	23,638	24,196	(558)
Miscellaneous	203,811	156,037	47,774
<i>Total General Revenues</i>	<u>10,449,081</u>	<u>11,087,705</u>	<u>(638,624)</u>
<i>Total Revenues</i>	<u>12,954,250</u>	<u>13,260,259</u>	<u>(306,009)</u>
Program Expenses			
Instruction:			
Regular	5,851,456	4,915,108	(936,348)
Special	1,510,603	1,189,401	(321,202)
Vocational	0	17,461	17,461
Support Services			
Pupil	630,845	655,922	25,077
Instructional Staff	433,982	84,092	(349,890)
Board of Education	11,454	14,064	2,610
Administration	1,042,463	879,902	(162,561)
Fiscal	338,384	295,635	(42,749)
Business	61,715	52,234	(9,481)
Operation and Maintenance of Plant	1,060,065	885,871	(174,194)
Pupil Transportation	687,080	696,622	9,542
Central	193,280	242,398	49,118
Operation of Food Services	451,918	360,236	(91,682)
Extracurricular Activities	399,077	341,439	(57,638)
Interest and Fiscal Charges	428,978	442,942	13,964
<i>Total Program Expenses</i>	<u>13,101,300</u>	<u>11,073,327</u>	<u>(2,027,973)</u>
<i>Change in Net Position</i>	(147,050)	2,186,932	(2,333,982)
Net Position Beginning of Year	8,335,369	6,148,437	2,186,932
Net Position End of Year	<u>\$8,188,319</u>	<u>\$8,335,369</u>	<u>(\$147,050)</u>

Brookfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

Governmental Activities

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 \$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.

Revenue is divided into two major components: program revenues and general revenues. Program revenues are defined as fees, restricted grants and charges for services that are program specific. General revenues include taxes and unrestricted grants such as State Foundation support.

Program revenues increased for governmental activities in fiscal year 2020. Operating grants increased due to the School District seeking out restricted grant monies as additional sources of operating revenues along with a new grant specific to student health and wellness. General revenues decreased in fiscal year 2020 resulting from a decrease in grants not restricted to operations. The decrease in grants and entitlements for fiscal year 2020 was due to a reduction in State Foundation funding due to the COVID-19 pandemic.

Instruction composes the most significant portion of governmental program expenses. The largest component of the increase in program expenses results from increases in pension and OPEB expenses, the most significant increase being related to STRS OPEB expenses. The School District's OPEB expense related to STRS increased from a negative expense of \$1,335,457 in fiscal year 2019 to a negative expense of \$196,332 for fiscal year 2020.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. 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, 2020
Unaudited

(Table 3)
 Total and Net Cost of Program Services
 Governmental Activities

	Total Cost of Services 2020	Net Cost of Services 2020	Total Cost of Services 2019	Net Cost of Services 2019
Instruction	\$7,362,059	\$5,567,873	\$6,121,970	\$4,559,097
Support Services:				
Pupil and Instructional Staff	1,064,827	951,554	740,014	734,614
Board of Education and Administration	1,053,917	1,053,917	893,966	888,339
Fiscal and Business	400,099	400,099	347,869	347,869
Operation and Maintenance of Plant	1,060,065	982,528	885,871	843,748
Pupil Transportation	687,080	687,080	696,622	696,622
Central	193,280	188,924	242,398	242,398
Operation of Food Service	451,918	73,702	360,236	(109,573)
Extracurricular Activities	399,077	261,476	341,439	254,717
Interest and Fiscal Charges	428,978	428,978	442,942	442,942
<i>Total Expenses</i>	<u>\$13,101,300</u>	<u>\$10,596,131</u>	<u>\$11,073,327</u>	<u>\$8,900,773</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. General fund revenues continue to outpace expenditures resulting in an increase in fund balance due to the continued monitoring of the School District on a departmental level to assign and control costs. The bond retirement fund had an increase in fund balance due primarily to property tax collections outpacing debt service payments for the year.

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 2020, 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.

For the general fund, the final budget basis revenue estimate was the same as the original budget estimate. This was the result of the School District not filing a final certificate of estimated resources with the Mahoning County Auditor's office.

The final budget appropriations were lower than the original budget appropriations of the general fund. The change was attributed to decreases in estimates for operational expenditures as the School District's current year requirements became more apparent.

Brookfield Local School District
Management's Discussion and Analysis
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Unaudited

Capital Assets and Debt

Capital Assets

During fiscal year 2020, the School District's capital asset additions included, furniture and equipment and vehicles. The School District had no deletions for the current fiscal year. For more information about the School District's capital assets, see Note 9 to the basic financial statements.

Debt

On November 7, 2017, the School District issued \$11,530,000 in general obligation bonds to refund the 2008 general obligation bonds. This allowed the School District to decrease its total debt service payments by \$2,609,854. The school facilities construction bonds included serial and term bonds in the amounts of \$7,380,000 and \$4,150,000, respectively. In fiscal year 2020, the School District issued \$850,000 in lease obligation proceeds specific to acquiring energy efficient equipment and improvements. The School District's overall debt margin was \$1,894,467 with an unvoted debt margin of \$132,182 at June 30, 2020. For more information about the School District's long-term obligations, see Note 15 to the basic financial statements.

Current Related Financial Activities

The School District has continued to try and reduce expenditures through attrition and vendor contract negotiations. Savings have been allocated towards maintaining a healthy 60 day cash reserve in the general fund. The School District will soon begin a budget modification process through the Ohio Schools Facilities Commission to make needed repairs from the construction project. Depending on the outcome of this budget modification process, the School District may need to seek long term debt.

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 Julie Sloan, Treasurer, Brookfield Local School District, 614 Bedford Road, Brookfield, Ohio 44403.

Basic Financial Statements

Brookfield Local School District*Statement of Net Position**June 30, 2020*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,986,978
Intergovernmental Receivable	33,729
Prepaid Items	19,569
Inventory Held for Resale	8,151
Materials and Supplies Inventory	1,179
Property Taxes Receivable	4,954,042
Net OPEB Asset (See Note 13)	626,659
Nondepreciable Capital Assets	958,941
Depreciable Capital Assets, Net	27,087,526
<i>Total Assets</i>	<u>37,676,774</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	253,125
Pension	1,993,883
OPEB	212,200
<i>Total Deferred Outflows of Resources</i>	<u>2,459,208</u>
Liabilities	
Accounts Payable	70,546
Accrued Wages and Benefits	749,620
Intergovernmental Payable	238,043
Matured Compensated Absences Payable	82,365
Accrued Interest Payable	210,713
Special Termination Benefits Payable	30,000
Long-Term Liabilities:	
Due Within One Year	643,646
Due In More Than One Year:	
Net Pension Liability (See Note 12)	10,414,040
OPEB (See Note 13)	881,434
Other Amounts	12,363,688
<i>Total Liabilities</i>	<u>25,684,095</u>
Deferred Inflows of Resources	
Property Taxes	4,304,543
Pension	822,097
OPEB	1,136,928
<i>Total Deferred Inflows of Resources</i>	<u>6,263,568</u>
Net Position	
Net Investment in Capital Assets	16,487,641
Restricted for:	
Capital Projects	245,590
Debt Service	579,119
Other Purposes	229,424
Unrestricted (Deficit)	(9,353,455)
<i>Total Net Position</i>	<u>\$8,188,319</u>

See accompanying notes to the basic financial statements

Brookfield Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2020

	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	\$5,851,456	\$363,890	\$335,568	(\$5,151,998)
Special	1,510,603	67,770	1,026,958	(415,875)
Support Services:				
Pupil	630,845	0	73,437	(557,408)
Instructional Staff	433,982	0	39,836	(394,146)
Board of Education	11,454	0	0	(11,454)
Administration	1,042,463	0	0	(1,042,463)
Fiscal	338,384	0	0	(338,384)
Business	61,715	0	0	(61,715)
Operation and Maintenance of Plant	1,060,065	1,573	75,964	(982,528)
Pupil Transportation	687,080	0	0	(687,080)
Central	193,280	0	4,356	(188,924)
Operation of Food Services	451,918	100,270	277,946	(73,702)
Extracurricular Activities	399,077	137,401	200	(261,476)
Interest and Fiscal Charges	428,978	0	0	(428,978)
Totals	\$13,101,300	\$670,904	\$1,834,265	(10,596,131)
General Revenues				
Property Taxes Levied for:				
				3,457,317
				795,940
				55,390
Grants and Entitlements not				
				5,910,665
				2,320
				23,638
				203,811
				<u>10,449,081</u>
				Change in Net Position (147,050)
				Net Position Beginning of Year - (Restated See Note 22) <u>8,335,369</u>
				<u>Net Position End of Year \$8,188,319</u>

See accompanying notes to the basic financial statements

Brookfield Local School District

*Balance Sheet
Governmental Funds
June 30, 2020*

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,086,876	\$669,299	\$566,405	\$3,322,580
Restricted Assets:				
Cash and Cash Equivalents				
With Fiscal Agents	664,398	0	0	664,398
Intergovernmental Receivable	32,346	0	1,383	33,729
Prepaid Items	19,569	0	0	19,569
Inventory Held for Resale	0	0	8,151	8,151
Materials and Supplies Inventory	0	0	1,179	1,179
Property Taxes Receivable	3,973,051	917,348	63,643	4,954,042
<i>Total Assets</i>	<u>\$6,776,240</u>	<u>\$1,586,647</u>	<u>\$640,761</u>	<u>\$9,003,648</u>
Liabilities				
Accounts Payable	\$66,920	\$0	\$3,626	\$70,546
Accrued Wages and Benefits	707,576	0	42,044	749,620
Intergovernmental Payable	222,196	0	15,847	238,043
Matured Compensated Absences Payable	82,365	0	0	82,365
<i>Total Liabilities</i>	<u>1,079,057</u>	<u>0</u>	<u>61,517</u>	<u>1,140,574</u>
Deferred Inflows of Resources				
Property Taxes	3,452,443	796,815	55,285	4,304,543
Unavailable Revenue	536,585	116,743	9,478	662,806
<i>Total Deferred Inflows of Resources</i>	<u>3,989,028</u>	<u>913,558</u>	<u>64,763</u>	<u>4,967,349</u>
Fund Balances				
Nonspendable	19,569	0	1,179	20,748
Restricted	0	673,089	513,927	1,187,016
Assigned	436,320	0	0	436,320
Unassigned (Deficit)	1,252,266	0	(625)	1,251,641
<i>Total Fund Balances</i>	<u>1,708,155</u>	<u>673,089</u>	<u>514,481</u>	<u>2,895,725</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$6,776,240</u>	<u>\$1,586,647</u>	<u>\$640,761</u>	<u>\$9,003,648</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, 2020*

Total Governmental Fund Balances	\$2,895,725
 <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.	28,046,467
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	629,077
Intergovernmental	26,936
Tuition and Fees	<u>6,793</u>
Total	662,806
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(210,713)
The net pension liability and net OPEB liability are not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.	
Net OPEB Asset	626,659
Deferred Outflows - Pension	1,993,883
Deferred Outflows - OPEB	212,200
Net Pension Liability	(10,414,040)
Net OPEB Liability	(881,434)
Deferred Inflows - Pension	(822,097)
Deferred Inflows - OPEB	<u>(1,136,928)</u>
Total	(10,421,757)
Special termination benefits payable is not expected to be paid with expendable available financial resources and therefore is not reported in the funds.	(30,000)
Long-term liabilities payable are not due and payable in the current period and therefore are not reported in the funds.	
Deferred Charge on Refunding	253,125
General Obligation Bonds	(11,595,500)
Lease Purchase	(850,000)
Capital Leases Payable	(33,861)
Compensated Absences	<u>(527,973)</u>
Total	<u>(12,754,209)</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$8,188,319</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, 2020

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$3,502,461	\$810,870	\$56,231	\$4,369,562
Intergovernmental	6,284,947	129,721	1,341,067	7,755,735
Interest	23,638	0	1,147	24,785
Tuition and Fees	403,166	0	0	403,166
Extracurricular Activities	26,795	0	137,401	164,196
Contributions and Donations	2,320	0	200	2,520
Charges for Services	0	0	100,270	100,270
Rentals	1,573	0	0	1,573
Miscellaneous	243,678	0	0	243,678
<i>Total Revenues</i>	<u>10,488,578</u>	<u>940,591</u>	<u>1,636,316</u>	<u>13,065,485</u>
Expenditures				
Current:				
Instruction:				
Regular	4,701,856	0	220,603	4,922,459
Special	923,998	0	543,846	1,467,844
Support Services:				
Pupil	521,173	0	73,437	594,610
Instructional Staff	394,041	0	34,436	428,477
Board of Education	10,085	0	1,000	11,085
Administration	1,006,072	0	0	1,006,072
Fiscal	316,681	17,338	1,200	335,219
Business	61,715	0	0	61,715
Operation and Maintenance of Plant	865,855	0	177,818	1,043,673
Pupil Transportation	600,860	0	0	600,860
Central	176,993	0	5,627	182,620
Operation of Food Services	0	0	419,969	419,969
Extracurricular Activities	221,988	0	157,408	379,396
Capital Outlay	182,590	0	122,000	304,590
Debt Service:				
Principal Retirement	61,283	435,000	0	496,283
Interest and Fiscal Charges	3,111	477,138	0	480,249
<i>Total Expenditures</i>	<u>10,048,301</u>	<u>929,476</u>	<u>1,757,344</u>	<u>12,735,121</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>440,277</u>	<u>11,115</u>	<u>(121,028)</u>	<u>330,364</u>
Other Financing Sources (Uses)				
Lease Purchase Issued	850,000	0	0	850,000
Transfers In	0	0	17,445	17,445
Transfers Out	(17,445)	0	0	(17,445)
<i>Total Other Financing Sources (Uses)</i>	<u>832,555</u>	<u>0</u>	<u>17,445</u>	<u>850,000</u>
<i>Net Change in Fund Balances</i>	1,272,832	11,115	(103,583)	1,180,364
<i>Fund Balances Beginning of Year - (Restated - See Note 22)</i>	<u>435,323</u>	<u>661,974</u>	<u>618,064</u>	<u>1,715,361</u>
<i>Fund Balances End of Year</i>	<u>\$1,708,155</u>	<u>\$673,089</u>	<u>\$514,481</u>	<u>\$2,895,725</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, 2020*

Net Change in Fund Balances - Total Governmental Funds \$1,180,364

*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	285,566	
Current Year Depreciation	(838,982)	
Total		(553,416)

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

Delinquent Property Taxes	(60,915)	
Intergovernmental	(12,152)	
Tuition and Fees	1,699	
Miscellaneous	(39,867)	
Total		(111,235)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 496,283

Other financing sources in the governmental funds, such as the issuance of a lease purchase, increase long-term liabilities in the statement of net position. (850,000)

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	7,975	
Amortization of Deferred Charge on Refunding	(16,416)	
Amortization of Premium on Bonds	59,712	
Total		51,271

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.

Pension	776,820	
OPEB	23,059	
Total		799,879

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.

Pension	(1,384,023)	
OPEB	196,332	
Total		(1,187,691)

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	42,495	
Special Termination Benefits Payable	(15,000)	
Total		27,495

Change in Net Position of Governmental Activities (\$147,050)

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, 2020*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$3,300,282	\$3,300,282	\$3,501,694	\$201,412
Intergovernmental	6,410,117	6,410,117	6,281,085	(129,032)
Interest	3,759	3,759	26,175	22,416
Tuition and Fees	341,344	341,344	403,166	61,822
Contributions and Donations	2,500	2,500	0	(2,500)
Rentals	20,158	20,158	1,573	(18,585)
Miscellaneous	84,834	84,834	243,678	158,844
<i>Total Revenues</i>	<u>10,162,994</u>	<u>10,162,994</u>	<u>10,457,371</u>	<u>294,377</u>
Expenditures				
Current:				
Instruction:				
Regular	4,659,471	4,742,615	4,742,615	0
Special	827,504	872,830	872,830	0
Vocational	48,040	0	0	0
Support Services:				
Pupil	741,317	552,673	549,551	3,122
Instructional Staff	154,805	154,805	386,610	(231,805)
Board of Education	11,037	9,789	9,789	0
Administration	911,942	1,033,567	1,033,567	0
Fiscal	221,373	319,953	319,953	0
Business	46,135	72,725	72,725	0
Operation and Maintenance of Plant	1,431,697	1,042,054	1,042,054	0
Pupil Transportation	780,030	690,129	690,129	0
Central	217,289	217,680	332,573	(114,893)
Extracurricular Activities	192,239	223,903	223,903	0
<i>Total Expenditures</i>	<u>10,242,879</u>	<u>9,932,723</u>	<u>10,276,299</u>	<u>(343,576)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(79,885)	230,271	181,072	(49,199)
Other Financing Sources (Uses)				
Transfers Out	(367,277)	(367,277)	(384,722)	(17,445)
<i>Net Change in Fund Balance</i>	(447,162)	(137,006)	(203,650)	(66,644)
<i>Fund Balance Beginning of Year</i>	1,764,435	1,764,435	1,764,435	0
Prior Year Encumbrances Appropriated	54,493	54,493	54,493	0
<i>Fund Balance End of Year</i>	<u>\$1,371,766</u>	<u>\$1,681,922</u>	<u>\$1,615,278</u>	<u>(\$66,644)</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, 2020

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 81 certified employees and 43 classified employees who provide services to 1,016 students and other community members.

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 organizations and two shared risk pools. These organizations are the North Eastern Ohio Management Information Network, the Trumbull County Career and Technical Center, the Trumbull County Schools Employee Insurance Benefits Consortium and the Schools of Ohio Risk Sharing Authority. These organizations are presented in Notes 17 and 18 to the basic financial statements.

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.

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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.

The difference between governmental fund assets and deferred outflows of resources 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.

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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 the following four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The School District has no fiduciary fund types.

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.

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.

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

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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 represent 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. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension and OPEB plans. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 12 and 13.

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 until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance fiscal year 2021 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and 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, intergovernmental revenue, tuition and fees and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities fund on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 12 and 13)

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.

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose,

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

Budgetary Data

All funds, other than custodial 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 fund level for all 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.

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 School District passed an amended appropriation measure which matched appropriations to expenditures plus encumbrances in the majority of categories.

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."

During fiscal year 2020, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$100 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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 2020 amounted to \$23,638, of which \$6,535 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.

Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2020, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed.

Restricted Cash

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, or laws of other governments or imposed by law through constitutional provisions. Restricted assets in the general fund represent money set aside for lease obligation proceeds.

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 acquisition values as of the date received. The School District maintains a capitalization threshold of five thousand 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 and construction in progress, 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	20 years
Buildings and Improvements	7 - 50 years
Furniture and Equipment	5 - 20 years
Vehicles	8 years

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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, 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. Capital leases and bonds are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

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.

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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 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. State statute authorizes the Treasurer to assign fund balances for purchases on order provided such amounts have been lawfully appropriated. The Board of Education assigned fund balance was for school support instruction.

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.

Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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 received in the year the bonds are issued. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

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.

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.

Internal Activity

Transfers between governmental activities are eliminated on the government wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Note 3 – Accountability and Compliance

Accountability

The miscellaneous federal grants special revenue fund had a deficit fund balance of \$625 as of June 30, 2020. This deficit was caused by the recognition of expenditures on a modified accrual basis of accounting which are substantially greater than the expenditures recognized on a cash basis. The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur.

Compliance

Contrary to Ohio Revised Code Section 5705.41(B) the following accounts in the general fund had expenditures plus encumbrances in excess of appropriations:

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Fund	Appropriations Plus Prior Year Encumbrances	Expenditures Plus Encumbrances	Excess
General	\$10,300,000	\$10,661,021	(\$361,021)

Although these budgetary violations were not corrected by fiscal year end, management has indicated that appropriations will be closely monitored to prevent future violations. We noted immaterial violations in other funds.

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	\$1,179	\$1,179
Prepaid Items	19,569	0	0	19,569
<i>Total Nonspendable</i>	19,569	0	1,179	20,748
<i>Restricted</i>				
Food Service	0	0	116,917	116,917
Scholarships	0	0	1,235	1,235
Student Activities and Wellness	0	0	135,006	135,006
Data and Information Systems	0	0	8,562	8,562
Grants for Education	0	0	5,621	5,621
Classroom Facilities	0	0	996	996
Debt Service Payments	0	673,089	0	673,089
Capital Improvements	0	0	245,590	245,590
<i>Total Restricted</i>	0	673,089	513,927	1,187,016
<i>Assigned to</i>				
<i>Purchases on order:</i>				
Instructional Supplies	28,360	0	0	28,360
Support Services	380,799	0	0	380,799
School Support Instruction	27,161	0	0	27,161
<i>Total Assigned</i>	436,320	0	0	436,320
<i>Unassigned (Deficit)</i>	1,252,266	0	(625)	1,251,641
<i>Total Fund Balances</i>	\$1,708,155	\$673,089	\$514,481	\$2,895,725

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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. Unrecorded cash represents amounts received but not reported by the School District on the operating statements (budget), but which is reported on the GAAP basis operating statements.
5. Proceeds from lease purchase obligations are reported on the operating statement (GAAP) rather than on cash (budget).

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	\$1,272,832
Revenue Accruals	(4,375)
Expenditure Accruals	(180,970)
Beginning unrecorded cash	2,537
Proceeds of Lease Purchase	(850,000)
Perspective Difference:	
Public School Support	763
Encumbrances	(444,437)
Budget Basis	<u><u>(\$203,650)</u></u>

Note 6 - Deposits and Investments

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

Active deposits are public deposits 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.

Brookfield Local School District
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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.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio), and;
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent of interim moneys available for investment at the time of purchase.

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Investments

As of June 30, 2020, the School District had STAR Ohio as an investment. STAR Ohio is being held with an amount of \$1,460,462 which is measured at net asset value per share. The average maturity is 41.5 days.

Credit Risk 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 investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date purchased, 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.

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 2020 represent the collection of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed values as of January 1, 2019, 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 2020 represent the collection of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien on December 31, 2018, were levied after April 1, 2019, 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, 2020, are available to finance fiscal year 2021 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2020, 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, 2020, was \$16,369 in the general fund, \$3,790 in the bond retirement debt service fund and \$263 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2019, was \$15,602 in the general fund, \$3,739 in the bond retirement debt service fund and \$254 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.

The assessed values upon which the fiscal year 2020 taxes were collected are:

	2019 Second Half Collections		2020 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$116,688,460	89.04%	\$116,628,350	88.23%
Public Utility Personal	14,370,480	10.96	15,553,630	11.77
Total	\$131,058,940	100.00%	\$132,181,980	100.00%
Full Tax Rate per \$1,000 of assessed valuation	\$56.45		\$56.45	

Note 8 - Receivables

Receivables at June 30, 2020, consisted of accounts, taxes 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
SERS Overpayment Refund	\$24,601
School Foundation Adjustments	7,745
Miscellaneous State Grant	1,383
Total	\$33,729

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

Governmental Activities	Balance 6/30/2019	Additions	Deductions	Balance 6/30/2020
<i>Capital Assets not being Depreciated:</i>				
Land	\$776,351	\$0	\$0	\$776,351
Construction in Progress	0	182,590	0	182,590
<i>Total Nondepreciable Capital Assets</i>	<u>776,351</u>	<u>182,590</u>	<u>0</u>	<u>958,941</u>
<i>Capital Assets being Depreciated:</i>				
Land Improvements	1,497,062	0	0	1,497,062
Buildings and Improvements	31,882,813	0	0	31,882,813
Furniture and Equipment	603,902	17,147	0	621,049
Vehicles	1,163,036	85,829	0	1,248,865
<i>Total Capital Assets being Depreciated</i>	<u>35,146,813</u>	<u>102,976</u>	<u>0</u>	<u>35,249,789</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(668,906)	(71,573)	0	(740,479)
Buildings and Improvements	(5,549,746)	(634,801)	0	(6,184,547)
Furniture and Equipment	(302,135)	(47,495)	0	(349,630)
Vehicles	(802,494)	(85,113)	0	(887,607)
<i>Total Accumulated Depreciation</i>	<u>(7,323,281)</u>	<u>(838,982) *</u>	<u>0</u>	<u>(8,162,263)</u>
<i>Total Assets being Depreciated, Net</i>	<u>27,823,532</u>	<u>(736,006)</u>	<u>0</u>	<u>27,087,526</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$28,599,883</u>	<u>(\$553,416)</u>	<u>\$0</u>	<u>\$28,046,467</u>

*Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$687,137
Support Services:	
Instructional Staff	693
Operation and Maintenance of Plant	9,108
Pupil Transportation	86,347
Central	10,660
Food Service Operation	25,356
Extracurricular Activities	19,681
Total Depreciation Expense	<u>\$838,982</u>

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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, in the opinion of management, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2020, if applicable, cannot be determined at this time.

School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. ODE has finalized the impact of enrollment adjustments to the June 30, 2020 foundation funding for the School District. These adjustments were insignificant for the School District.

Litigation

The School District is not party to legal proceedings as of June 30, 2020.

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 2020, the School District contracted with Schools of Ohio Risk Sharing Association (SORSA) for property and liability insurance. There was no significant reduction of coverage.

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. There is no longer a defined dollar amount. The certificate reads, "Total insured value as reported to SORSA, subject to \$200,100,000 all members aggregate, any one occurrence."

Settled claims have not exceeded commercial coverage in any of the past three years. There have been no significant reductions in coverage from last year.

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 a semi-annual calculation process. The School District pays a monthly

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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, the district is responsible depending upon the reserve vs. claims. The School District provides dental coverage through the Trumbull County School Employee Insurance Benefits Consortium. The School District pays 100 percent of the dental premium for full-time employees.

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 - Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liability (asset) represent the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

The Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 13 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District’s non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, 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, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

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

Brookfield Local School District
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fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2020, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$162,337 for fiscal year 2020. Of this amount \$12,873 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS 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. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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, 12 percent of the 14 percent member rate is deposited into the member's DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty and after termination of employment.

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New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2020 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2020, the full employer contribution was allocated to pension.

The School District’s contractually required contribution to STRS was \$614,483 for fiscal year 2020. Of this amount \$92,300 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District’s proportion of the net pension liability was based on the School District’s share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Prior Measurement Date	0.03295040%	0.03853832%	
Current Measurement Date	0.03420910%	0.03783620%	
Change in Proportionate Share	0.00125870%	-0.00070212%	
Proportionate Share of the Net			
Pension Liability	\$2,046,791	\$8,367,249	\$10,414,040
Pension Expense	\$209,084	\$1,174,939	\$1,384,023

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$51,902	\$68,124	\$120,026
Changes of assumptions	0	982,895	982,895
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	43,400	70,742	114,142
School District contributions subsequent to the measurement date	162,337	614,483	776,820
Total Deferred Outflows of Resources	\$257,639	\$1,736,244	\$1,993,883
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$36,220	\$36,220
Net difference between projected and actual earnings on pension plan investments	26,273	408,946	435,219
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	59,922	290,736	350,658
Total Deferred Inflows of Resources	\$86,195	\$735,902	\$822,097

\$776,820 is reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	\$27,012	\$498,033	\$525,045
2022	(31,056)	14,258	(16,798)
2023	(1,749)	(144,855)	(146,604)
2024	14,900	18,423	33,323
Total	\$9,107	\$385,859	\$394,966

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

Inflation	3.00 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.50 percent to 18.20 percent 2.5 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

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Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$2,868,285	\$2,046,791	\$1,357,864

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation *</u>	<u>Long-Term Expected Rate of Return **</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

* Target weights will be phased in over a 24-month period concluding on July1, 2019.

** 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$12,227,801	\$8,367,249	\$5,099,092

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Note 13 - Defined Benefit OPEB Plans

See note 12 for a description of the net OPEB liability.

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

For fiscal year 2020, the School District's surcharge obligation was \$23,059.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$23,059 for fiscal year 2020. Of this amount \$23,059 is reported as an intergovernmental payable.

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Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability:			
Prior Measurement Date	0.03348760%	0.03853832%	
Current Measurement Date	0.03505000%	0.03783620%	
Change in Proportionate Share	0.00156240%	-0.00070212%	
Proportionate Share of the:			
Net OPEB Liability	\$881,434	\$0	\$881,434
Net OPEB (Asset)	\$0	(\$626,659)	(\$626,659)
OPEB Expense	\$5,027	(\$201,359)	(\$196,332)

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$12,939	\$56,811	\$69,750
Changes of assumptions	64,379	13,172	77,551
Net difference between projected and actual earnings on OPEB plan investments	2,116	0	2,116
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	38,285	1,439	39,724
School District contributions subsequent to the measurement date	<u>23,059</u>	<u>0</u>	<u>23,059</u>
Total Deferred Outflows of Resources	<u>\$140,778</u>	<u>\$71,422</u>	<u>\$212,200</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$193,645	\$31,882	\$225,527
Changes of assumptions	49,393	687,057	736,450
Net difference between projected and actual earnings on OPEB plan investments	0	39,359	39,359
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>89,601</u>	<u>45,991</u>	<u>135,592</u>
Total Deferred Inflows of Resources	<u>\$332,639</u>	<u>\$804,289</u>	<u>\$1,136,928</u>

\$23,059 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2021	(\$71,100)	(\$159,089)	(\$230,189)
2022	(37,271)	(159,090)	(196,361)
2023	(36,650)	(143,315)	(179,965)
2024	(36,751)	(137,778)	(174,529)
2025	(25,179)	(134,722)	(159,901)
Thereafter	<u>(7,969)</u>	<u>1,127</u>	<u>(6,842)</u>
Total	<u>(\$214,920)</u>	<u>(\$732,867)</u>	<u>(\$947,787)</u>

Brookfield Local School District
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Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019, are presented below:

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.22 percent
Prior Measurement Date	3.70 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of

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return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 12.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019, was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22 percent) and higher (4.22 percent) than the current discount rate (3.22 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
School District's proportionate share of the net OPEB liability	\$1,069,893	\$881,434	\$731,586
	1% Decrease (6.00% decreasing to 3.75%)	Current Trend Rate (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	\$706,207	\$881,434	\$1,113,917

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5.87 percent initial, 4 percent ultimate
Medicare	4.93 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	7.73 percent initial, 4 percent ultimate
Medicare	9.62 initial, 4 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 12.

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2019.

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB asset	(\$534,728)	(\$626,659)	(\$703,950)
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	(\$710,602)	(\$626,659)	(\$523,848)

Note 14 - 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 five to twenty days of vacation per year, depending upon length of service and hours worked. The Superintendent and Treasurer earn 20 and 30 days, respectively 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 five or more years of service receive payment for twenty-five percent of the total sick leave accumulation up to a maximum of sixty days. Classified employees have two options as follows; 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 while 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 or classified employees may accumulate up to 380 days of unused sick leave and be paid 30 percent of accumulated, but unused, sick leave days up to a maximum of 100 equivalent days paid at the per diem rate of pay per employee.

Special Termination Benefits

Per negotiated agreement, the School District offers a retirement notification incentive payment for eligible classified employees. An employee is eligible if the employee retires from the School Employees Retirement System. The incentive is \$5,000 per employee, if the School District is notified, in writing, by January 31, 2019 with a retirement date no later than June 30, 2019. If notification is given to the School District by January 31, 2020 with a retirement date no later than June 30, 2020 an additional bonus of \$2,000 will be paid. If notification is given to the School District by January 31, 2021 with a retirement date no later than June 30, 2021 an additional bonus of \$1,000 will be paid. The incentive payment is made in one lump sum. Four employees were eligible for the retirement incentive in fiscal year 2020. As of June 30, 2020, the liability for this incentive plan was \$30,000.

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Life Insurance Benefits

The School District provides life insurance to all employees through Ohio Schools Council life insurance in the amount of \$100,000 for the superintendent, \$67,000 for the treasurer, \$50,000 for other full-time employees and \$40,000 for part-time employees. Premiums are paid by the School District.

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	Fiscal Year of maturity
2017 Refunding OSFC Various Purpose Imp Bonds:			
Serial Bonds	4.00% to 5.00%	\$7,380,000	2031
Term Bonds	3.25% to 3.375%	4,150,000	2036
2020 Lease Purchase	3.88%	850,000	2035

Changes in long-term obligations of the School District during fiscal year 2020 were as follows:

	Principal Outstanding 6/30/19	Additions	Deductions	Principal Outstanding 6/30/20	Amounts Due in One Year
<i>General Obligation Bonds</i>					
2017 Refunding OSFC Various Purpose					
Serial Bonds	\$6,960,000	\$0	(\$435,000)	\$6,525,000	\$460,000
Term Bonds	4,150,000	0	0	4,150,000	0
Unamortized Premium	980,212	0	(59,712)	920,500	0
Total General Obligation Bonds	12,090,212	0	(494,712)	11,595,500	460,000
<i>Other Long-Term Obligations</i>					
Net Pension Liability					
SERS	1,887,131	159,660	0	2,046,791	0
STRS	8,473,711	0	(106,462)	8,367,249	0
Total Net Pension Liability	10,360,842	159,660	(106,462)	10,414,040	0
Net OPEB Liability					
SERS	929,035	0	(47,601)	881,434	0
Capital Lease Payable	95,144	0	(61,283)	33,861	33,861
2020 Lease Purchase	0	850,000	0	850,000	56,793
Compensated Absences	570,468	42,631	(85,126)	527,973	92,992
Total Other Long-Term Obligations	11,955,489	1,052,291	(300,472)	12,707,308	183,646
Total Governmental Activities					
Long-Term Liabilities	\$24,045,701	\$1,052,291	(\$795,184)	\$24,302,808	\$643,646

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Compensated absences will be paid from the general fund and the food service special revenue fund. Capital leases will be paid from the general fund. There are no repayment schedules for the net pension liability and net OPEB liability. However, employer pension and OPEB contributions are made from following funds: the general fund and the food service, miscellaneous federal grant, title VI-B, title I and reducing class size special revenue funds. For additional information related to the net pension/OPEB liability see Notes 12 and 13, respectively.

On November 7, 2017, the School District issued \$11,530,000 in general obligation bonds to refund 2008 general obligation bonds. The school facilities construction bonds included serial and term bonds in the amounts of \$7,380,000 and \$4,150,000, respectively. The bonds were issued for a nineteen year period with a final maturity at Jan 15, 2036.

The refunding bonds were sold at a premium of \$1,074,756. Net proceeds of \$12,520,533 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the various bonds. As a result, \$12,225,000 of these bonds is considered defeased and the liability of these bonds has been removed from the School District's financial statements.

During fiscal year 2020, the School District entered into a lease purchase financing in the amount of \$850,000 for the purpose of acquiring energy efficiency equipment and improvements. As of June 30, 2020, \$664,398 of the proceeds were unspent. This debt will be repaid over a fifteen year period with a final payment being made in fiscal year 2035.

The School District's overall debt margin was \$1,894,467 with an unvoted debt margin of \$132,182 at June 30, 2020. Principal and interest requirements to retire general obligation bonds are as follows:

	General Obligation Bonds		Lease Purchase	
	Principal	Interest	Principal	Interest
2021	\$460,000	\$459,738	\$56,793	\$17,173
2022	485,000	441,336	43,609	30,357
2023	505,000	417,088	45,318	28,649
2024	530,000	391,838	47,093	26,874
2025	560,000	365,336	48,938	25,028
2026-2030	3,240,000	1,378,439	274,997	94,838
2031-2035	4,010,000	571,788	333,252	36,583
2036	885,000	29,868	0	0
Total	\$10,675,000	\$4,055,431	\$850,000	\$259,502

Note 16 – Capital Leases

The School District has 1 lease for the purchase of busses. The lease obligation meets the criteria of a capital lease and has been recorded on the government-wide statements. The original amounts capitalized for the capital leases and the book value as of June 30, 2020 follows:

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

	Amounts
Asset:	
Vehicles	\$210,000
Less: Accumulated Depreciation	(90,781)
Current Book Value	\$119,219

A schedule of the future long-term minimum lease payment required under the capital lease and the present value of the minimum lease payment as of June 30, 2020 is \$34,904 with \$1,043 representing interest and \$33,861 representing the present value net minimum lease payment.

Note 17 - 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 \$32,293 to NEOMIN during fiscal year 2020.

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 2020. 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 NEOMIN, 528 Educational Highway, Warren, Ohio 44483.

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 twenty 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 2020. To obtain financial information write to the Trumbull County Career and Technical Center, Cody Holecko, who serves as Treasurer, at 528 Educational Highway, Warren, Ohio 44483.

Note 18 – 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.

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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 19 - 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, 2019	\$0
Current Year Set-aside Requirement	181,709
Current Year Offsets	(912,138)
Qualifying Disbursements	(206,873)
Total	(\$937,302)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set-Aside Balance as of June 30, 2020	\$0

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.

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 20 – Significant Commitments

Contractual Commitments

At June 30, 2020, the School District had the following contract balances for a construction project:

Project	Amount Outstanding
Energy Conservation Project	\$547,770

All remaining commitment amounts were encumbered at fiscal year-end.

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

Governmental Funds	
General	\$444,437
Other Governmental Funds	110,645
<i>Total Governmental Funds</i>	<i>\$555,082</i>

Note 21 - Interfund Transfers

The general fund made a transfer to the athletics special revenue fund in the amount of \$17,445. This transfer was made to support programs accounted for in the fund.

Note 22 – Change in Accounting Principle and Restatement of Fund Balances and Net Position

Change in Accounting Principles

The Governmental Accounting Standards Board (GASB) recently issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The School District evaluated implementing these certain GASB pronouncements based on the guidance in GASB 95.

For fiscal year 2020, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities* and related guidance from (GASB) Implementation Guide No. 2019-2, *Fiduciary Activities*.

For fiscal year 2020, the School District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2018-1*. These changes were incorporated in the School District's fiscal year 2020 financial statements; however, there was no effect on beginning net position/fund balance.

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the School District will no longer be reporting agency and private purpose trust funds. The School District reviewed its agency and private purpose trust funds and certain funds will be reported in the new fiduciary fund classification of custodial funds, while other funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the School District's financial statements.

Restatement of Fund Balances and Net Position

The implementation of GASB Statement No. 84 had the following effect on fund balance as of June 30, 2019:

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Fund Balances, June 30, 2019	\$435,323	\$661,974	\$588,351	\$1,685,648
Adjustments:				
GASB Statement 84	0	0	29,713	29,713
Restated Fund Balances, June 30, 2019	\$435,323	\$661,974	\$618,064	\$1,715,361

The implementation of GASB Statement No. 84 had the following effect on governmental and fiduciary net position as of June 30, 2019:

	Governmental Activities	Agency and Private Purpose Trust
Net Position June 30, 2019	\$8,305,656	\$0
Adjustments:		
GASB Statement 84	29,713	0
Assets	0	(29,713)
Liabilities	0	29,713
Restated Net Position, June 30, 2019	\$8,335,369	\$0

Note 23 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the School District. The School District's investment portfolio and the investments of the pension and other employee benefit plans in which the School District participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School District's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Brookfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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Required Supplementary Information

Brookfield Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Seven Fiscal Years (1)

	2020	2019	2018
School District's Proportion of the Net Pension Liability	0.03420910%	0.03295040%	0.03654420%
School District's Proportionate Share of the Net Pension Liability	\$2,046,791	\$1,887,131	\$2,183,434
School District's Covered Payroll	\$1,207,304	\$1,126,674	\$1,151,514
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	169.53%	167.50%	189.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	71.36%	69.50%

(1) Information prior to 2014 is not available.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2017	2016	2015	2014
0.03806610%	0.04081070%	0.04376100%	0.04376100%
\$2,786,088	\$2,328,699	\$2,214,720	\$2,602,326
\$1,186,893	\$1,226,579	\$1,279,581	\$1,308,885
234.74%	189.85%	173.08%	198.82%
62.98%	69.16%	71.70%	65.52%

Brookfield Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
Last Four Fiscal Years (1)

	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.03505000%	0.03348760%	0.03711980%	0.03859410%
School District's Proportionate Share of the Net OPEB Liability	\$881,434	\$929,035	\$996,198	\$1,100,075
School District's Covered Payroll	\$1,207,304	\$1,126,674	\$1,151,514	\$1,186,893
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	73.01%	82.46%	86.51%	92.69%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.57%	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

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Brookfield Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Seven Fiscal Years (1)

	2020	2019	2018
School District's Proportion of the Net Pension Liability	0.03783620%	0.03853832%	0.03995084%
School District's Proportionate Share of the Net Pension Liability	\$8,367,249	\$8,473,711	\$9,490,408
School District's Covered Payroll	\$4,442,807	\$4,399,750	\$4,402,829
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	188.33%	192.60%	215.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.40%	77.30%	75.30%

(1) Information prior to 2014 is not available.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2017	2016	2015	2014
0.03990379%	0.03870039%	0.03868382%	0.03868382%
\$13,357,001	\$10,695,655	\$9,409,243	\$11,208,230
\$4,217,414	\$4,030,007	\$3,948,564	\$4,124,646
316.71%	265.40%	238.30%	271.74%
66.80%	72.10%	74.70%	69.30%

Brookfield Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB (Asset) Liability
State Teachers Retirement System of Ohio
Last Four Fiscal Years (1)

	2020	2019	2018	2017
School District's Proportion of the Net OPEB (Asset) Liability	0.03783620%	0.03853832%	0.03995084%	0.03990379%
School District's Proportionate Share of the Net OPEB (Asset) Liability	(\$626,659)	(\$619,272)	\$1,558,733	\$2,134,065
School District's Covered Payroll	\$4,442,807	\$4,399,750	\$4,402,829	\$4,217,414
School District's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of its Covered - Payroll	-14.11%	-14.08%	35.40%	50.60%
Plan Fiduciary Net Position as a Percentage of the Total OPEB (Asset) Liability	174.70%	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

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Brookfield Local School District
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2020	2019	2018	2017
Net Pension Liability				
Contractually Required Contribution	\$162,337	\$162,986	\$152,101	\$161,212
Contributions in Relation to the Contractually Required Contribution	(162,337)	(162,986)	(152,101)	(161,212)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$1,159,550	\$1,207,304	\$1,126,674	\$1,151,514
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>13.50%</u>	<u>13.50%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	23,059	27,395	23,988	20,397
Contributions in Relation to the Contractually Required Contribution	(23,059)	(27,395)	(23,988)	(20,397)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>1.99%</u>	<u>2.27%</u>	<u>2.13%</u>	<u>1.77%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.99%</u>	<u>15.77%</u>	<u>15.63%</u>	<u>15.77%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2016	2015	2014	2013	2012	2011
\$166,165	\$161,663	\$177,350	\$181,150	\$180,635	\$169,262
(166,165)	(161,663)	(177,350)	(181,150)	(180,635)	(169,262)
\$0	\$0	\$0	\$0	\$0	\$0
\$1,186,893	\$1,226,579	\$1,279,581	\$1,308,885	\$1,343,008	\$1,346,554
14.00%	13.18%	13.86%	13.84%	13.45%	12.57%
19,607	31,851	24,197	21,848	27,300	38,137
(19,607)	(31,851)	(24,197)	(21,848)	(27,300)	(38,137)
\$0	\$0	\$0	\$0	\$0	\$0
1.65%	2.60%	1.89%	1.67%	2.03%	2.83%
15.65%	15.78%	15.75%	15.51%	15.48%	15.40%

Brookfield Local School District
Required Supplementary Information
Schedule of the School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net Pension Liability				
Contractually Required Contribution	\$614,483	\$621,993	\$615,965	\$616,396
Contributions in Relation to the Contractually Required Contribution	<u>(614,483)</u>	<u>(621,993)</u>	<u>(615,965)</u>	<u>(616,396)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$4,389,164	\$4,442,807	\$4,399,750	\$4,402,829
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

2016	2015	2014	2013	2012	2011
\$590,438	\$564,201	\$513,313	\$536,204	\$599,831	\$609,790
<u>(590,438)</u>	<u>(564,201)</u>	<u>(513,313)</u>	<u>(536,204)</u>	<u>(599,831)</u>	<u>(609,790)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$4,217,414	\$4,030,007	\$3,948,564	\$4,124,646	\$4,614,085	\$4,690,692
<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$0	\$0	\$39,486	\$41,246	\$46,141	\$46,907
<u>0</u>	<u>0</u>	<u>(39,486)</u>	<u>(41,246)</u>	<u>(46,141)</u>	<u>(46,907)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.00%</u>	<u>0.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

Brookfield Local School District, Ohio
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

Net Pension Liability

Changes in Assumptions – SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions - STRS

Beginning with fiscal year 2018, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuity Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward

Brookfield Local School District, Ohio
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Net OPEB Liability

Changes in Assumptions – SERS

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

Brookfield Local School District, Ohio
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

Changes in Benefit Terms – STRS OPEB

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For fiscal year 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

**Brookfield Local School District
Trumbull County
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020
(Prepared by Management)**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
<i>Child Nutrition Cluster</i>			
National School Lunch Program	10.555	\$ -	\$ 140,052
National School Lunch Program - COVID-19	10.555	-	36,524
National School Lunch Program - Non-cash Donated Commodities	10.555	-	19,951
School Breakfast Program	10.553	-	56,712
School Breakfast Program - COVID-19	10.553	-	18,261
<i>Total Child Nutrition Cluster</i>		<u>-</u>	<u>271,500</u>
Total U.S. Department of Agriculture		-	271,500
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Education Agencies	84.010	-	337,634
<i>Special Education Cluster</i>			
Special Education Grants to States	84.027	-	222,582
Special Education Preschool Grants	84.173	<u>2,084</u>	<u>2,084</u>
<i>Total Special Education Cluster</i>		<u>2,084</u>	<u>224,666</u>
Improving Teacher Quality State Grants	84.367	-	18,067
Student Support and Academic Enrichment Program	84.424	-	22,033
Rural Education	84.358	-	<u>17,506</u>
Total U.S. Department of Education		<u>2,084</u>	<u>619,906</u>
Total Expenditures of Federal Awards		<u>\$ 2,084</u>	<u>\$ 891,406</u>

The accompanying notes are an integral part of this schedule.

Brookfield Local School District
Trumbull County
Notes to the Schedule of Expenditures of Federal Awards
2 CFR 200.510(b)(6)
For the Year Ended June 30, 2020
(Prepared by Management)

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Brookfield Local School District, Trumbull County, (the District) under programs of the federal government for the year ended June 30, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - SUBRECIPIENTS

The District passes certain federal awards received from the Ohio Department of Education to other governments or not-for-profit agencies (subrecipients). As Note B describes, the District reports expenditures of federal awards to subrecipients when paid in cash.

As a subrecipient, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE E - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE F – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

Brookfield Local School District
Trumbull County
Notes to the Schedule of Expenditures of Federal Awards
2 CFR 200.510(b)(6)
For the Year Ended June 30, 2020
(Prepared by Management)
(continued)

NOTE G – TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE’s consent, schools can transfer unobligated amounts to the subsequent fiscal year’s program. The District transferred the following amounts from 2020 to 2021 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred</u>
Title I Gants to Local Educational Agencies	84.010	\$ 20,217
Improving Teacher Quality State Grants	84.367	28,343
Title V B- Rural	84.358	3,579
Title IV-A Student Support and Academic Enrichment	84.424	3,189
Special Education - Grants to States	84.027	54,528

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH 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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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 (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 11, 2020. We noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

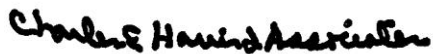
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2020-001.

We also noted a certain matter not requiring inclusion in this report that we have reported to the District's management in a separate letter dated December 11, 2020.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.

December 11, 2020

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Brookfield Local School District, Trumbull County, Ohio's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2020. The District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulation (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Brookfield Local School District, Trumbull County, Ohio complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program, to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or to detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.

December 11, 2020

**Brookfield Local School District
Trumbull County
Schedule of Findings
2 CFR § 200.515
June 30, 2020**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster – CFDA #84.027 & #84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

**Brookfield Local School District
Trumbull County
Schedule of Findings
2 CFR § 200.515
June 30, 2020
(Continued)**

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

Finding Number: 2020-001 – Noncompliance

Disbursements Exceeding Appropriations

Ohio Revised Code Section 5705.41(B) requires that budgetary disbursements shall not exceed appropriations. In 2020, budgetary disbursements exceeded appropriation authority as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$10,300,000	\$10,661,021	(\$361,021)
Public School Support (rolls into General Fund)	\$33,519	\$37,481	(\$3,962)
Classroom Maintenance	\$138,000	\$141,662	(\$3,662)
Student Activities	\$52,020	\$54,783	(\$2,763)
OSFC	\$122,000	\$212,260	(\$90,260)

We recommend that the District monitor its budget closely to prevent disbursements from exceeding appropriations.

3. FINDINGS FOR FEDERAL AWARDS

None.

Brookfield Local School District
Trumbull County
Corrective Action Plan
(Prepared by Management)
June 30, 2020

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2020-001	Monitor budget closely to prevent appropriations from exceeding estimated resources and obtain amended certificate prior to the end of the fiscal period.	Immediately	Julie Sloan, Treasurer

OHIO AUDITOR OF STATE KEITH FABER



BROOKFIELD LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/16/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov