



Dave Yost • Auditor of State

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Brooklyn City School District
Cuyahoga County
9200 Biddulph Road
Brooklyn, Ohio 44144

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 Brooklyn City School District, Cuyahoga County, Ohio, (the District), as of and for the year ended June 30, 2014, 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

March 27, 2015

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

The discussion and analysis of the Brooklyn City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- ❑ The School District is committed to meeting the academic needs of our students by providing them with updated instructional materials to compete in a global environment. During fiscal year 2014, the School District continued to provide professional development for staff members as more technology was introduced into the curriculum and classrooms.
- ❑ General revenues accounted for the majority of all revenues, with tax revenues representing the largest share of those revenues. Specific program revenues in the form of charges for services and sales and operating grants and contributions accounted for the remainder of all revenues.
- ❑ Overall expenses increased during fiscal year 2014, due to increased benefits, contracted services and interest expenses from the debt issuance. Only \$2,388,696 of the School District's expenses was offset by program specific charges for services and sales, operating grants, and contributions. General revenues (primarily taxes and school foundation) of \$15,841,720 helped to provide for these programs.
- ❑ In fiscal year 2014, The School District issued \$25,999,984 in general obligation bonds for school improvements.

Using this Annual Financial Report

This report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Brooklyn City School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of the School District, the general fund and the building fund are the most significant funds.

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains all of the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question "How did we perform financially during 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private sector companies. Accrual accounting takes into account all of the current year's revenue and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many financial or non-financial factors. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, all of the School District's activities are classified as governmental. The School District's programs and services reported here include instruction, support services, operation of non-instructional services and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus upon the School District's most significant funds. The School District's two major governmental funds are the general fund and the building fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how cash flows into and out of those funds and the balances remaining at fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, 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 government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Fund The School District has only one type of fiduciary fund, an agency fund. The agency fund is used to account for resources held for the benefit of parties outside the School District. The agency fund is not reflected on the government-wide statements because the resources from that fund are not available to support the School District's programs.

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

The School District as a Whole

You may recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2014 compared to the prior fiscal year.

Table 1
Net Position

	Governmental Activities		
	2014	2013	Change
Assets			
Current and Other Assets	\$40,463,009	\$14,150,656	\$26,312,353
Capital Assets, Net	3,693,899	3,158,976	534,923
Total Assets	44,156,908	17,309,632	26,847,276
Liabilities			
Current Liabilities	3,436,577	1,734,103	(1,702,474)
Long-Term Liabilities:			
Due Within One Year	154,528	47,149	(107,379)
Due in More than One Year	28,808,389	1,344,291	(27,464,098)
Total Liabilities	32,399,494	3,125,543	(29,273,951)
Deferred Inflows of Resources	8,697,995	7,253,510	(1,444,485)
Net Position			
Investment in Capital Assets	3,013,393	3,158,976	(145,583)
Restricted For:			
Debt Service	711,134	0	711,134
Capital Projects	0	97,298	(97,298)
Other Purposes	312,117	367,809	(55,692)
Unrestricted (Deficit)	(977,225)	3,306,496	(4,283,721)
Total Net Position	\$3,059,419	\$6,930,579	(\$3,871,160)

Total net position decreased compared to the prior fiscal year. Current assets increased due to increases in cash on hand due to the School District issuing school improvement bonds. The School District also received additional property tax monies due to the passage of a five-year, 7.8 mill emergency levy and a six-year 6.7 mill emergency levy. Liabilities increased due to the issuance of bonds. Management continues to diligently plan expenses, staying carefully within the School District's revenues in an effort to maintain the durations between its levy requests.

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

Table 2 shows the change in net position for fiscal year 2014 for governmental activities compared to the prior fiscal year.

Table 2
 Changes in Net Position
 Governmental Activities

	2014	2013	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$490,626	\$600,901	(\$110,275)
Operating Grants and Contributions	1,891,569	1,294,849	596,720
Capital Grants and Contributions	6,501	0	6,501
<i>Total Program Revenues</i>	<u>2,388,696</u>	<u>1,895,750</u>	<u>492,946</u>
General Revenues:			
Property Taxes	12,343,258	8,543,682	3,799,576
Grant and Entitlements	3,285,206	3,531,904	(246,698)
Investment Earnings	14,970	0	14,970
Miscellaneous	198,286	418,549	(220,263)
<i>Total General Revenues</i>	<u>15,841,720</u>	<u>12,494,135</u>	<u>3,347,585</u>
Total Revenues	<u>18,230,416</u>	<u>14,389,885</u>	<u>3,840,531</u>
Program Expenses			
Instruction	12,933,048	10,362,997	(2,570,051)
Support Services:			
Pupil	1,746,298	1,702,910	(43,388)
Instructional Staff	243,464	211,267	(32,197)
Board of Education	62,122	41,406	(20,716)
Administration	1,871,640	1,346,124	(525,516)
Fiscal	811,262	641,317	(169,945)
Business	65,278	108,304	43,026
Operation and Maintenance of Plant	1,220,656	1,088,569	(132,087)
Pupil Transportation	377,272	306,282	(70,990)
Central	176,091	188,863	12,772
Operation of Non-Instructional Services:			
Food Service Operations	462,022	464,743	2,721
Other Non-Instructional Services	383,600	388,137	4,537
Extracurricular Activities	527,981	468,980	(59,001)
Interest and Fiscal Charges	1,220,842	0	(1,220,842)
<i>Total Program Expenses</i>	<u>22,101,576</u>	<u>17,319,899</u>	<u>(4,781,677)</u>
<i>Change in Net Position</i>	(3,871,160)	(2,930,014)	(941,146)
<i>Net Position Beginning of Year</i>	<u>6,930,579</u>	<u>9,860,593</u>	<u>(2,930,014)</u>
<i>Net Position End of Year</i>	<u>\$3,059,419</u>	<u>\$6,930,579</u>	<u>(\$3,871,160)</u>

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

Governmental Activities

Several revenue sources primarily fund the School District's governmental activities. Property tax revenues brought the largest portion of general revenues having generated \$12,343,258 in fiscal year 2014. Grants and entitlements portion of the general revenues is the second largest source of revenues for the School District and includes monies received from the Ohio Department of Education, the State Foundation Program and property tax relief such as homestead exemptions and rollbacks provided by House Bill 920. The combination of taxes and intergovernmental funding along with substantial beginning net position have provided for coverage of all expenses in governmental activities in past years.

The increase in revenues was primarily due to the increase in property taxes. Overall expenses increased over the prior fiscal year reflected increased costs mostly due to salary related fringe benefit growth and contracted services. Areas with budgetary growth included instruction, instructional staff and business support services due to changes in the salary schedule because of increases in education credits as well as increases in healthcare costs. The School District also had interest and fiscal charges related to the 2014 debt issuance.

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

Table 3
 Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction	\$12,933,048	\$10,362,997	(\$11,478,732)	(\$9,769,324)
Support Services:				
Pupil	1,746,298	1,702,910	(1,725,822)	(1,386,146)
Instructional Staff	243,464	211,267	(235,788)	(200,207)
Board of Education	62,122	41,406	(61,744)	(41,406)
Administration	1,871,640	1,346,124	(1,855,665)	(1,328,924)
Fiscal	811,262	641,317	(806,331)	(632,994)
Business	65,278	108,304	(64,881)	(108,304)
Operation and Maintenance of Plant	1,220,656	1,088,569	(1,039,157)	(1,059,938)
Pupil Transportation	377,272	306,282	(374,986)	(302,364)
Central	176,091	188,863	(175,037)	(188,863)
Operation of Non-Instructional Services				
Food Service Operations	462,022	464,743	(38,974)	322,011
Other Non-Instructional Services	383,600	388,137	(244,847)	(258,710)
Extracurricular Activities	527,981	468,980	(390,074)	(468,980)
Interest and Fiscal Charges	1,220,842	0	(1,220,842)	0
Total Expenses	\$22,101,576	\$17,319,899	(\$19,712,880)	(\$15,424,149)

The dependence upon general revenues for governmental activities is apparent. 55.85 percent of total expenses are supported through taxes. Program revenues support 10.81 percent of expenses. Grants and entitlements not restricted to specific programs and other miscellaneous type revenues support the remaining expenses.

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

The School District's Funds

Information regarding the School District's major funds starts on page 15. All governmental funds are accounted for using the modified accrual basis of accounting. The School District's major funds are the general fund and the building fund. All governmental funds had total revenues of \$18,742,708 and expenditures of \$22,070,601. The fund balance in the general fund decreased by \$176,307, which was due to an increase in expenditures as the result of increase salary and contractual service costs. The increase in the building fund is the result of the issuance of \$25,999,984 in school improvement bonds.

General Fund Budgeting Highlights

Information about the School District's budget is prepared in accordance with Ohio Law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the main operating fund of the School District, the general fund.

During the course of fiscal year 2014, the School District amended its general fund budget three times by the end of the fiscal year. Requests for budget changes are made by the Treasurer to reflect changes in projected revenues. With regard to the general fund, the final budgeted revenue was \$1,863,598 under actual revenues. The \$938,364 difference between the original and final budgeted amounts is due to more conservative tax and intergovernmental revenue original estimates. The School District monitors the budget on a monthly basis to keep it in line with current expenditures. The general fund balance decreased by \$185,544, which was attributable to expenditures increasing at a larger rate compared to the increase in revenues.

Capital Assets and Debt Administration

Capital Assets

Table 4 details fiscal year 2014 balances compared to the prior fiscal year. More detailed information is presented in Note 7 of the notes to the basic financial statements.

Table 4
 Capital Assets at June 30
 (Net of Depreciation)

	Governmental Activities	
	2014	2013
Land	\$33,000	\$33,000
Construction in Progress	680,506	0
Buildings and Improvements	2,359,664	2,464,630
Furniture and Equipment	545,065	572,212
Vehicles	75,664	89,134
Total	\$3,693,899	\$3,158,976

All capital assets, except land and construction in progress, are reported net of depreciation. The increase in capital assets was due to additions to furniture and equipment as well as construction in progress outpacing current year depreciation. For fiscal year 2014, Ohio law required school districts to expend or otherwise reserve three percent of qualifying revenues only for the purpose of capital improvements. For fiscal year 2014, this amounted to \$239,895. See Note 19 for additional set-aside information.

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

Debt

At June 30, 2014, the School District had \$27,327,792 in bonds outstanding, with \$104,655 due within one year. Table 5 summarizes the outstanding debt.

Table 5
 Outstanding Debt, at Year End

	Governmental Activities	
	2014	2013
2014 School Improvement Bonds	\$27,327,792	\$0

In fiscal year 2014, the School District issued \$25,999,984 in general obligation bonds. The bonds are for school improvements and will be paid off in fiscal year 2050.

At June 30, 2014, the School District's overall legal debt margin was \$374,540 with an unvoted debt margin of \$296,772. See Note 18 to the basic financial statements for additional information on debt.

Current Financial Related Activities

Ohio House Bill 920 effectively freezes tax revenue to a specific dollar amount at the time a levy is passed. This House Bill also eliminates any growth from local revenue, therefore school districts dependent upon property taxes that are hampered by a lack of revenue growth and must regularly return to voters to maintain a constant level of academically excellent service.

The phase out of the tangible personal property tax revenues will have a profound effect on the School District. The tangible property tax had previously generated about \$2.9 million per year for the School District. As of the last known information from the Governor's office the tangible personal property tax loss make-up payments will decrease dramatically over the duration of the State's biennium budget and beyond. Also, included is the complete phase-out of reimbursements to the School District for revenues lost due to utilities deregulation.

The School District is faced with a major decrease in revenue due to commercial property settlement reductions for the Plain Dealer Newspaper, which reduced revenues by \$140,000 for fiscal year 2014, and caused a valuation decrease of approximately \$14 million. American Greetings, another major commercial tax payer, has not paid their tax obligation for tax year 2012. American Greetings's total property value has been reduced by \$7,000,000, which is being appealed. The devaluation of assessed valuation equates to a loss of \$114,569 of revenue on inside millage. Cuyahoga County changed the property tax collection rate for the School District from 96.55 percent to 89.77 percent for fiscal year 2014. This decrease in property tax collection rate will further decrease future tax revenues for the School District. On May 6, 2014 the community passed a renewal of our \$2,175,000 emergency levy. Despite this, revenue increased due to the passage of the 5 mill continuous operating levy in May 2013.

During fiscal year 2014, employee benefits increased proportionally to salaries and staffing with a trend of 34 percent. Hospitalization costs increased by seventeen percent due to increases in utilization, inflation, and Affordable Care Act fees.

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

In conclusion, the Brooklyn City School District is in a period posing both significant challenges and opportunities. Management is committed to providing the best available education for the community of Brooklyn by providing sound financial information and forecasting, exploring alternative methods of doing business and controlling costs.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the funds it receives. If you have any questions about this report or need additional financial information, please contact Todd Hopkins, Treasurer, at the Brooklyn City School District, 9200 Biddulph Road, Brooklyn, Ohio 44144, or todd.hopkins@brooklyn.k12.oh.us.

Brooklyn City School District*Statement of Net Position**June 30, 2014*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$28,111,977
Accounts Receivable	4,491
Intergovernmental Receivable	273,742
Prepaid Items	22,662
Materials and Supplies Inventory	25,513
Inventory Held for Resale	8,862
Property Taxes Receivable	12,015,762
Non-depreciable Capital Assets	713,506
Depreciable Capital Assets, Net	2,980,393
<i>Total Assets</i>	<u>44,156,908</u>
Liabilities	
Accounts Payable	45,357
Accrued Wages and Benefits	1,230,220
Intergovernmental Payable	586,223
Contracts Payable	1,465,188
Accrued Interest Payable	109,589
Long-Term Liabilities:	
Due Within One Year	154,528
Due In More Than One Year	28,808,389
<i>Total Liabilities</i>	<u>32,399,494</u>
Deferred Inflows of Resources	
Property Taxes	8,697,995
Net Position	
Investment in Capital Assets	3,013,393
Restricted for:	
Debt Service	711,134
Other Purposes	312,117
Unrestricted	(977,225)
<i>Total Net Position</i>	<u>\$3,059,419</u>

See accompanying notes to the basic financial statements

Brooklyn City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Program Revenues			Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions		
Governmental Activities					
Instruction:					
Regular	\$9,618,074	\$55,831	\$221,200	\$0	(\$9,341,043)
Special	3,181,528	15,282	1,160,552	0	(2,005,694)
Vocational	132,346	805	646	0	(130,895)
Other	1,100	0	0	0	(1,100)
Support Services:					
Pupil	1,746,298	10,550	9,926	0	(1,725,822)
Instructional Staff	243,464	6,768	908	0	(235,788)
Board of Education	62,122	378	0	0	(61,744)
Administration	1,871,640	11,242	4,733	0	(1,855,665)
Fiscal	811,262	4,931	0	0	(806,331)
Business	65,278	397	0	0	(64,881)
Operation and Maintenance of Plant	1,220,656	9,368	165,630	6,501	(1,039,157)
Pupil Transportation	377,272	2,286	0	0	(374,986)
Central	176,091	1,054	0	0	(175,037)
Operation of Non-Instructional Services:					
Food Service Operations	462,022	136,309	286,739	0	(38,974)
Other Non-Instructional Services	383,600	107,371	31,382	0	(244,847)
Extracurricular Activities	527,981	128,054	9,853	0	(390,074)
Interest and Fiscal Charges	1,220,842	0	0	0	(1,220,842)
<i>Totals</i>	<u>\$22,101,576</u>	<u>\$490,626</u>	<u>\$1,891,569</u>	<u>\$6,501</u>	<u>(\$19,712,880)</u>
General Revenues					
Property Taxes Levied for:					
General Purposes					11,262,550
Debt Service					967,405
Capital Projects					113,303
Grants and Entitlements not Restricted to Specific Programs					3,285,206
Investment Earnings					14,970
Miscellaneous					198,286
<i>Total General Revenues</i>					<u>15,841,720</u>
Change in Net Position					(3,871,160)
<i>Net Position Beginning of Year</i>					<u>6,930,579</u>
<i>Net Position End of Year</i>					<u>\$3,059,419</u>

See accompanying notes to the basic financial statements

Brooklyn City School District

Balance Sheet

Governmental Funds

June 30, 2014

	<u>General</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,369,664	\$24,530,876	\$1,148,526	\$28,049,066
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	62,911	0	0	62,911
Accounts Receivable	4,491	0	0	4,491
Intergovernmental Receivable	13,661	0	260,081	273,742
Prepaid Items	21,962	0	700	22,662
Materials and Supplies Inventory	13,552	0	11,961	25,513
Inventory Held for Resale	0	0	8,862	8,862
Interfund Receivable	335,364	0	0	335,364
Property Taxes Receivable	10,515,264	0	1,500,498	12,015,762
<i>Total Assets</i>	<u>\$13,336,869</u>	<u>\$24,530,876</u>	<u>\$2,930,628</u>	<u>\$40,798,373</u>
Liabilities				
Accounts Payable	\$16,718	\$7,677	\$20,962	\$45,357
Accrued Wages and Benefits	1,195,093	0	35,127	1,230,220
Intergovernmental Payable	566,871	399	18,953	586,223
Contracts Payable	0	1,402,562	62,626	1,465,188
Interfund Payable	0	0	335,364	335,364
<i>Total Liabilities</i>	<u>1,778,682</u>	<u>1,410,638</u>	<u>473,032</u>	<u>3,662,352</u>
Deferred Inflows of Resources				
Property Taxes	7,543,440	0	1,154,555	8,697,995
Unavailable Revenue	479,539	0	328,358	807,897
<i>Total Deferred Inflows of Resources</i>	<u>8,022,979</u>	<u>0</u>	<u>1,482,913</u>	<u>9,505,892</u>
Fund Balances				
Nonspendable	35,514	0	12,661	48,175
Restricted	62,911	23,120,238	1,218,878	24,402,027
Assigned	2,154,771	0	0	2,154,771
Unassigned (Deficit)	1,282,012	0	(256,856)	1,025,156
<i>Total Fund Balances</i>	<u>3,535,208</u>	<u>23,120,238</u>	<u>974,683</u>	<u>27,630,129</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$13,336,869</u>	<u>\$24,530,876</u>	<u>\$2,930,628</u>	<u>\$40,798,373</u>

See accompanying notes to the basic financial statements

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

Total Governmental Fund Balances	\$27,630,129
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*Amounts reported for governmental activities in the
 statement of net position are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,693,899
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Other long-term assets are not available to pay for current period expenditures and therefore are unavailable in the funds.

Delinquent Property Taxes	547,816
Intergovernmental	260,081
	807,897

Total	807,897
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental fund, an interest expenditure is reported when due.	(109,589)
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Long-term liabilities, such as compensated absences, are not due and payable in the current period and therefore are not reported in the funds.

General Obligation Bonds	(26,235,423)
Discount on Bonds	165,980
Premium on Bonds	(1,258,349)
Compensated Absences	(1,635,125)
	(28,962,917)

Total	(28,962,917)
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<i>Net Position of Governmental Activities</i>	<u>\$3,059,419</u>
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See accompanying notes to the basic financial statements

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

	General	Building	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$11,828,118	\$0	\$1,019,549	\$12,847,667
Intergovernmental	3,779,617	0	1,402,765	5,182,382
Interest	448	14,522	0	14,970
Tuition and Fees	110,525	0	8,474	118,999
Extracurricular Activities	0	0	122,989	122,989
Contributions and Donations	2,017	0	6,760	8,777
Charges for Services	11,102	0	235,206	246,308
Rentals	2,330	0	0	2,330
Miscellaneous	192,737	0	5,549	198,286
<i>Total Revenues</i>	<u>15,926,894</u>	<u>14,522</u>	<u>2,801,292</u>	<u>18,742,708</u>
Expenditures				
Current:				
Instruction:				
Regular	7,578,673	0	203,060	7,781,733
Special	2,225,438	0	602,295	2,827,733
Vocational	118,742	0	0	118,742
Other	0	0	995	995
Support Services:				
Pupil	1,601,188	0	10,279	1,611,467
Instructional Staff	220,156	0	0	220,156
Board of Education	56,175	0	0	56,175
Administration	1,670,488	18,344	0	1,688,832
Fiscal	714,816	0	0	714,816
Business	59,029	0	0	59,029
Operation and Maintenance of Plant	1,047,243	0	0	1,047,243
Pupil Transportation	337,669	0	0	337,669
Central	142,376	0	0	142,376
Operation of Non-Instructional Services	0	0	753,876	753,876
Extracurricular Activities	326,842	0	148,210	475,052
Capital Outlay	3,091	2,875,924	36,386	2,915,401
Debt Service:				
Interest and Fiscal Charges	0	0	898,629	898,629
Bond Issuance Costs	0	0	420,677	420,677
<i>Total Expenditures</i>	<u>16,101,926</u>	<u>2,894,268</u>	<u>3,074,407</u>	<u>22,070,601</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(175,032)</u>	<u>(2,879,746)</u>	<u>(273,115)</u>	<u>(3,327,893)</u>
Other Financing Sources (Uses)				
General Obligation Bonds Issued	0	25,999,984	0	25,999,984
Premium on Bonds	0	0	1,284,629	1,284,629
Discount on Bonds	0	0	(169,445)	(169,445)
Transfers In	0	0	1,275	1,275
Transfers Out	(1,275)	0	0	(1,275)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,275)</u>	<u>25,999,984</u>	<u>1,116,459</u>	<u>27,115,168</u>
<i>Net Change in Fund Balances</i>	<u>(176,307)</u>	<u>23,120,238</u>	<u>843,344</u>	<u>23,787,275</u>
<i>Fund Balances Beginning of Year</i>	<u>3,711,515</u>	<u>0</u>	<u>131,339</u>	<u>3,842,854</u>
<i>Fund Balances End of Year</i>	<u>\$3,535,208</u>	<u>\$23,120,238</u>	<u>\$974,683</u>	<u>\$27,630,129</u>

See accompanying notes to the basic financial statements

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

Net Change in Fund Balances - Total Governmental Funds \$23,787,275

*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 are allocated over their useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Outlay	708,727
Current Year Depreciation	<u>(172,778)</u>

Total 535,949

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (1,026)

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

Delinquent Property Taxes	(504,409)
Intergovernmental	<u>(7,883)</u>

Total (512,292)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (243,685)

In the statement of activities, interest accrued on outstanding bonds and bond premium are amortized over the terms of the bonds, whereas in the governmental funds, the expenditures are reported when due.

Accrued Interest on Bonds	(109,589)
Amortization of Premium	26,280
Amortization of Bond Discount	(3,465)
Accretion	<u>(235,439)</u>

Total (322,213)

Other financing sources and uses in the governmental funds increased long-term liabilities in the statement of net position.

Bonds Issued	(25,999,984)
Premium on Bonds	(1,284,629)
Discount on Bonds	<u>169,445</u>

Total (27,115,168)

Change in Net Position of Governmental Activities (\$3,871,160)

See accompanying notes to the basic financial statements

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

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$9,503,667	\$10,186,044	\$11,573,188	\$1,387,144
Intergovernmental	3,110,770	3,347,520	3,788,172	440,652
Interest	368	396	448	52
Tuition and Fees	90,094	96,951	109,713	12,762
Rentals	1,913	2,059	2,330	271
Miscellaneous	160,371	172,577	195,294	22,717
<i>Total Revenues</i>	<u>12,867,183</u>	<u>13,805,547</u>	<u>15,669,145</u>	<u>1,863,598</u>
Expenditures				
Current:				
Instruction:				
Regular	7,201,409	7,505,153	7,505,153	0
Special	2,191,378	2,206,094	2,206,094	0
Vocational	115,246	116,485	116,485	0
Adult/Continuing	3,115	0	0	0
Support Services:				
Pupil	1,571,372	1,579,889	1,579,889	0
Instructional Staff	176,734	205,605	205,605	0
Board of Education	66,502	32,541	32,541	0
Administration	1,575,563	1,669,439	1,669,439	0
Fiscal	604,881	616,631	616,631	0
Business	105,162	83,505	83,505	0
Operation and Maintenance of Plant	1,048,945	1,049,217	1,049,217	0
Pupil Transportation	322,110	335,751	335,751	0
Central	176,777	142,099	142,099	0
Extracurricular Activities	350,526	324,290	324,290	0
Capital Outlay	10,000	3,091	3,091	0
<i>Total Expenditures</i>	<u>15,519,720</u>	<u>15,869,790</u>	<u>15,869,790</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,652,537)</u>	<u>(2,064,243)</u>	<u>(200,645)</u>	<u>1,863,598</u>
Other Financing Sources (Uses)				
Advances In	288,842	351,740	351,740	0
Advances Out	0	(335,364)	(335,364)	0
Transfers Out	0	(1,275)	(1,275)	0
<i>Total Other Financing Sources (Uses)</i>	<u>288,842</u>	<u>15,101</u>	<u>15,101</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(2,363,695)</u>	<u>(2,049,142)</u>	<u>(185,544)</u>	<u>1,863,598</u>
<i>Fund Balance Beginning of Year</i>	<u>2,564,809</u>	<u>2,564,809</u>	<u>2,564,809</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$201,114</u>	<u>\$515,667</u>	<u>\$2,379,265</u>	<u>\$1,863,598</u>

See accompanying notes to the basic financial statements

Brooklyn City School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2014

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$22,533</u></u>
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Liabilities

Due to Students	<u><u>\$22,533</u></u>
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See accompanying notes to the basic financial statements

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

Note 1 - Description of the School District and Reporting Entity

The Brooklyn City School District (School District) was formed on March 18, 1911 under provisions of Section 3311.02 of the Ohio Revised Code.

The Brooklyn City School District operates under a locally-elected five member board form of government and provides educational services as authorized and mandated by State and federal agencies. The Board controls the School District's one elementary school, a middle school and a high school, staffed by 7 full-time and 58 part-time classified personnel, 103 certified teaching personnel, 11 administrators, and 1 supervisor and 2 exempted employees who provide services to community members and 1,461 students.

Reporting Entity

A reporting entity is comprised 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, agencies, departments and offices that are not legally separate from the School District. For the School District, the agencies and departments provide the following services: general operations, food service, preschool and student related activities.

Non-Public Schools - Within the School District boundaries, there are various non-public schools. Current State legislation provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public school by the Treasurer of the School District, as directed by the non-public school. These transactions are reported in a special revenue fund and as a governmental activity 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 and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burden on, the primary government. The School District has no component units.

The School District participates in one insurance purchasing pool and three jointly governed organizations. These organizations are the Ohio School Boards Association Workers' Compensation Group Rating Program, Polaris Career Center, Ohio Schools' Council and North Coast Council. These organizations are presented in Notes 16 and 17 of 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.

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

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, does not have 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 are 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 activity is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the fiscal 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. The major funds are presented in separate columns. Nonmajor funds are aggregated and presented in a single column. The fiduciary fund is reported by type.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

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.

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

Building Fund The building fund accounts for and reports bond proceeds restricted for the various capital improvements within the School District.

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

Fiduciary Fund Type Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary fund is an agency fund which reports resources that belong to the student activities of the various schools.

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 (i.e., revenues) and decreases (i.e., 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 are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences between the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred 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 value, 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.

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

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 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal 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, fees and rentals.

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

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

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

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

Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set 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, function and object level for the general fund and at the fund level for all other funds. The

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

Treasurer has been given the authority to allocate appropriations to the function and object level within all funds, except the general fund, without resolution by the Board of Education.

The certificate of estimated resources may be amended during the fiscal 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 certificate that was in effect at the time 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 resources by fund. 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.

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" on the financial statements. The School District had no investments during the fiscal year or at fiscal year-end.

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. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or the laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the general fund include amounts for set aside and unclaimed monies.

Prepaids

Payments made to vendors for services that will benefit periods beyond June 30, 2014, are reported as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

Inventory

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

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

Capital Assets

All of the School District's capital assets are general capital assets. General capital assets are those assets related to activities reported in the governmental funds. 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.

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

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

<u>Description</u>	<u>Estimated Life</u>
Buildings and Improvements	25-80 years
Furniture and Equipment	5-20 years
Vehicles	5-10 years

Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables". Interfund balances are eliminated in the governmental activities column of the statement of net position.

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 employer 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 employees after ten years of current service with the School District.

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

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 the payment during the current fiscal year.

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. Net position restricted for other purposes include resources restricted for safe and drug free schools.

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

Fund Balance

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

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

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by 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 resolution or by State

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statute. The Board assigned fund balance to cover a gap between estimated revenues and appropriations in fiscal year 2015's appropriated budget.

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.

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.

Note 3 –Fund Deficits

At June 30, 2014, the following funds had deficit fund balances:

	<u>Amounts</u>
<i>Special Revenue Funds:</i>	
Race to the Top	\$92,016
Title VI-B	83,159
Title I	47,283
Limited English Proficiency	18,243
Preschool Grant	8,589
Class Size Reduction	4,095
Miscellaneous State Grants	3,471

The deficit balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in a fund and provides transfers when cash is required, rather than when accruals occur.

Note 4 - 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 Balances - 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 that:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

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2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Unrecorded cash, which consists of unrecorded expenditures, is not reported by the School District on the budget basis operating statements, but is reported on the GAAP basis operating statements.
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Budgetary revenues and expenditures of the uniform school supplies and public school support are reclassified to the general fund for GAAP Reporting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis for the general fund.

Net Change in Fund Balance	
GAAP Basis	(\$176,307)
Net Adjustment for Revenue Accruals	(274,343)
Beginning Unrecorded Cash	(1,793)
Ending Unrecorded Cash	1,752
Advances In	351,740
Net Adjustment for Expenditure Accruals	256,677
Perspective Differences:	
Uniform School Supplies	(1,828)
Public School Support	(6,078)
Advances Out	(335,364)
Budget Basis	<u><u>(\$185,544)</u></u>

Note 5 - Deposits and Investments

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

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

Inactive deposits are public deposits that the Board of Education 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

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depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and,
8. Commercial paper and bankers' acceptances if training requirements have been met.

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

Deposits

Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$27,878,131 of the School District's bank balance of \$28,378,131 was uninsured and uncollateralized. Although the collateral securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Brooklyn City School District
Notes to the Basic Financial Statements
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Note 6 - 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 collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

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

The amount available as an advance at June 30, 2014, was \$2,492,285 in the general fund, \$263,054 in the debt service bond retirement fund and \$14,612 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2013, was \$1,336,546 in the general fund, and \$9,103 in the permanent improvement capital projects fund.

On a full 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.

Brooklyn City School District
Notes to the Basic Financial Statements
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The assessed values upon which fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$273,779,810	93.78 %	\$277,291,870	93.44 %
Public Utility Personal	18,145,400	6.22	19,480,320	6.56
Total	\$291,925,210	100.00 %	\$296,772,190	100.00 %
 Tax rate per \$1,000 of assessed valuation	 \$48.00		 \$60.10	

On May 7, 2013, the School District passed a bond levy of \$25,899,984. On November 5, 2013, the School District passed the renewal of a five year, 7.8 mill emergency levy. On May 6, 2014, the School District passed the renewal of a six year, 6.7 mill emergency levy.

Note 7 - Capital Assets

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

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Governmental Activities:				
<i>Capital Assets not being Depreciated:</i>				
Land	\$33,000	\$0	\$0	\$33,000
Construction in Progress	0	680,506	0	680,506
Total Capital Assets not being Depreciated	33,000	680,506	0	713,506
<i>Capital Assets being Depreciated:</i>				
Buildings and Improvements	7,657,275	0	0	7,657,275
Furniture and Equipment	3,274,214	28,221	49,892	3,252,543
Vehicles	407,599	0	57,048	350,551
Total Capital Assets being Depreciated	11,339,088	28,221	106,940	11,260,369
<i>Less: Accumulated Depreciation:</i>				
Buildings and Improvements	(5,192,645)	(104,966)	0	(5,297,611)
Furniture and Equipment	(2,702,002)	(54,342)	(48,866)	(2,707,478)
Vehicles	(318,465)	(13,470)	(57,048)	(274,887)
Total Accumulated Depreciation	(8,213,112)	(172,778)	(105,914)	(8,279,976)
Total Capital Assets being Depreciated, Net	3,125,976	(144,557)	1,026	2,980,393
Governmental Activities Capital Asset, Net	\$3,158,976	\$535,949	\$1,026	\$3,693,899

Brooklyn City School District
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Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$98,147
Special	592
Support Services:	
Administration	2,458
Fiscal	303
Operation and Maintenance of Plant	57,168
Pupil Transportation	1,259
Central	2,553
Food Service Operations	3,855
Non-Instructional Services	4,060
Extracurricular Activities	2,383
Total Depreciation Expense	\$172,778

Note 8 - Receivables

Receivables at June 30, 2014, consisted of taxes, accounts (tuition and other), 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 fiscal year guarantee of federal funds. All receivables are expected to be collected within one year, except delinquent property taxes. 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	Amount
Title I	\$114,430
Title VI-B	91,497
Race to the Top	21,737
Limited English Proficiency	18,241
Miscellaneous	13,661
Preschool Grant	10,279
Improving Teacher II-A	3,897
<i>Total Intergovernmental Receivables</i>	\$273,742

Note 9 – 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 the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

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Fund Balances	General	Building	Other Governmental Funds	Total
<i>Nonspendable:</i>				
Inventory	\$13,552	\$0	\$11,961	\$25,513
Prepays	21,962	0	700	22,662
<i>Total Nonspendable</i>	35,514	0	12,661	48,175
<i>Restricted for:</i>				
Food Service Operations	0	0	81,177	81,177
College Scholarships	0	0	61,307	61,307
Wellness Center	0	0	770	770
Professional Development	0	0	16,323	16,323
Latchkey "Kats" Program	0	0	65,570	65,570
Technology Improvements	0	0	10,964	10,964
Athletics and Music	0	0	40,757	40,757
Auxiliary Services	0	0	7,194	7,194
Set Aside	62,911	0	0	62,911
Debt Service Payments	0	0	757,396	757,396
Capital Improvements	0	23,120,238	177,420	23,297,658
<i>Total Restricted</i>	62,911	23,120,238	1,218,878	24,402,027
<i>Assigned to:</i>				
Fiscal Year 2015 Appropriations	2,154,771	0	0	2,154,771
<i>Unassigned (Deficit)</i>	1,282,012	0	(256,856)	1,025,156
<i>Total Fund Balances</i>	\$3,535,208	\$23,120,238	\$974,683	\$27,630,129

Note 10 - Interfund Balances and Transactions

Interfund Balances

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

Interfund Payable	Interfund Receivable General Fund
Other Governmental Funds	
Miscellaneous State Grants	\$12,335
Race to the Top	119,191
Title VI-B	94,343
Limited English Proficiency	18,287
Title I	77,034
Preschool Grant	10,279
Teacher Improvement	3,895
Total	\$335,364

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The interfund payables are advances from the general fund to the special revenue funds to support the funds' programs pending the receipts of grant money. All are payable to the general fund and are expected to be repaid in fiscal year 2015.

Interfund Transactions

The general fund made a transfer in the amount of \$1,275 to the miscellaneous state grants special revenue fund to support programs.

Note 11 - Risk Management

Insurance

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. The School District contracted with Huntington Insurance Incorporated for comprehensive property, inland marine coverage, crime coverage, general liability and automobile liability. The property insurance coverage was \$62,619,290 with a \$2,500 deductible for fiscal year 2014. The inland marine coverage includes \$250,000 with a \$500 deductible for computer equipment and \$266,373 with a \$500 deductible for miscellaneous school property which included band uniforms, athletic equipment, cameras and audio-visual equipment, fine arts, signs and wellings under construction in vocational classes. Crime coverage was \$25,000 with a \$1,000 deductible for public employee dishonesty blanket bonds and forgery. General liability coverage was \$3,000,000 aggregate with no deductible and included violent event response coverage. Automobile liability coverage had a \$1,000,000 combined single limit of liability.

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from the prior year.

Bonding

The Treasurer is covered by Travelers Casualty in the amount of \$50,000. Remaining employees who handle money are covered with a public employees' blanket bond in the amount of \$50,000 with a \$1,000 deductible. These bonds are provided by the Huntington Insurance Incorporated.

Workers' Compensation

For fiscal year 2014, the School District participated in the Ohio School Boards' Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Brooklyn City School District
Notes to the Basic Financial Statements
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Note 12 – Defined Benefit Pension Plans

School Employee Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$253,999, \$247,075 and \$259,619, respectively. For fiscal year 2014, 31.72 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

State Teachers Retirement System

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2014, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$999,216 and \$37,710 for the fiscal year ended June 30, 2014, \$959,447 and \$22,058 for the fiscal year ended June 30, 2013, and \$979,776 and \$28,444 for the fiscal year ended June 30, 2012. For fiscal year 2014, 82.19 percent has been contributed for the DB plan and 81.52 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2014 were \$19,437 made by the School District and \$15,272 made by the plan members. In addition, member contributions of \$29,629 were made for fiscal year 2014 for the defined contribution portion of the Combined Plan.

Social Security System

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

Note 13 - Post Employment Benefits

School Employee Retirement System

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

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Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$30,956 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$33,670, \$3,018, and \$36,448, respectively. For fiscal year 2014, 31.72 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012, were \$14,736, \$13,957, and \$15,332 respectively. For fiscal year 2014, 31.72 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$76,863, \$75,500, and \$75,367 respectively. For fiscal year 2014, 81.52 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Brooklyn City School District
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Note 14 - Other Employee Benefits

Compensated Absences

The criteria for determining vacation, personal and sick leave benefits are derived from negotiated agreements and State laws. Only administrative and school support personnel earn annual vacation leave which is paid upon separation with the School District. All unused vacation leave can be carried over into the next fiscal year. The Superintendent and the Treasurer earn 25 days vacation leave per fiscal year.

The two exempt employees earn three weeks vacation leave per fiscal year. School support personnel earn annual vacation leave as follows:

<u>Completed Service</u>	<u>Vacation Leave</u>
After one year	10 days
After eight years	15 days
After thirteen years	20 days
After twenty years	25 days
After Twenty five years	Same as after 20 years with addition of a floating holiday

Each staff member is entitled to fifteen days sick leave with pay each year. The sick leave accrues at the rate of one and one fourth days for each calendar month. Upon retirement, an employee is paid a severance benefit, calculated at current wage rates, for the value of thirty-two percent of their accumulative sick leave up to a maximum of 310 accumulated days for certified employees with the balance being forfeited and an unlimited number of accumulated days for classified employees. The severance benefit for classified employees who retire the first year they become eligible and who have at least five years of service with the School District may elect to receive a cash payment equal to fifty percent of their accumulated, accumulated but unused sick leave credit. The severance benefit for employees who retire after June 30th of the first year they become eligible and who have at least five years of service with the School District shall receive a cash payment equal to thirty-two percent of their accumulated, unused sick leave.

Life Insurance Benefits

Life insurance is offered to all full-time employees in the amount of \$50,000 through School Claims Service, PSBA Insurance Trust Company with payment of \$6.50 per month. The administration is covered for \$100,000 with payments of \$13.00 per month.

Health Insurance Benefits

The School District provides medical and hospitalization, prescription drug, dental and vision insurance to all full-time employees through Medical Mutual of Ohio. For medical and hospitalization insurance provided by network providers, the deductible is \$100 for single and \$200 for family with a twenty percent co-payment and an out-of-pocket maximum of \$400 for single and \$800 for family. For non-network providers, the deductible is \$200 for single and \$400 for family with a thirty six percent co-payment and an out-of-pocket maximum of \$2,500 for single and \$5,000 for family.

For prescription drug insurance, employees pay \$15 for generic and \$30 for brand name drugs purchased from retail establishments. They pay \$30 for generic and \$60 for brand name drugs purchased from mail order drug companies.

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

Dental insurance is provided on a calendar year basis with a \$1,000 maximum and \$50 deductible for single and \$150 deductible for family. Preventative service is reimbursed one hundred percent with no deductible, essential service is reimbursed eighty percent, complex services are reimbursed sixty percent and orthodontics is reimbursed sixty percent with a lifetime maximum of \$1,200.

Note 15 - 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

Litigation

The School District is not a party to any legal proceedings.

Note 16 - Insurance Purchasing Pool

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 17 - Jointly Governed Organizations

Polaris Career Center

The Polaris Career Center is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The Board of Education is comprised of representatives from the board of each participating school district. The Board is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. Brooklyn City School District students may attend the vocational school. Each school district's control is limited to its representation on the board. The School District did not contribute to Polaris Career Center during fiscal year 2014. Financial information can be obtained by contacting the Treasurer at the Polaris Career Center, 7285 Old Oak Boulevard, Middleburg Heights, Ohio 44130.

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

Ohio Schools' Council

The Ohio Schools Council (Council) is a jointly governed organization among 199 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the Board. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2014, the School District paid \$400 to the Council. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Boulevard, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Energy USA served as the natural gas supplier and program manager from October 1, 2008 to September 30, 2010. Compass Energy serves as the new supplier and program manager for the period from April 1, 2013 through March 31, 2016. There are currently 143 participants in the program including the Brooklyn City School District. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

North Coast Council

The North Coast Council (NCC) is a jointly governed computer service bureau owned and operated by thirteen public school districts. The primary function of NCC is to provide to its members the support and leadership which enables organizations to achieve their objectives through innovative and cost effective shared technology solutions. Major areas of service provided by NCC include accounting, payroll, inventory, career guidance services, handicapped student tracking, pupil scheduling, attendance reporting and grade reporting. NCC is wholly owned by its member districts and is governed by a Board of Directors (member Superintendents). NCC's current membership includes the Educational Service Center of Cuyahoga County and thirteen school districts in Cuyahoga County. Each year, the Board of Directors elects a Chairman, a Vice Chairman and a Recording Secretary. The Treasurer of the fiscal agent is a nonvoting, ex-officio member of the Board of Directors. The NCC's Board exercises total control over the operations, including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. The Cuyahoga County Educational Service Center serves as the fiscal agent of NCC. Each school district supports NCC based upon a per pupil charge dependent upon the software packages used. Brooklyn City School District paid \$42,727 to NCC during fiscal year 2014. Financial information can be obtained by contacting the Treasurer of the fiscal agent at 5700 West Canal Road, Valley View, Ohio 44125.

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

Note 18 - Long-Term Obligations

The changes in the School District's long-term obligation during fiscal year 2014 were as follows:

	Balance 6/30/2013	Additions	Deletions	Balance 6/30/2014	Due In One Year
Governmental Activities:					
General Obligation Bonds					
Serial Bonds	\$0	\$7,855,000	\$0	\$7,855,000	\$5,000
Term Bonds	0	17,960,000	0	17,960,000	0
Capital Appreciation Bonds	0	184,984	0	184,984	0
Accretion	0	235,439	0	235,439	99,655
Unamortized Discount	0	(169,445)	(3,465)	(165,980)	0
Unamortized Premium	0	1,284,629	26,280	1,258,349	0
Total General Obligation Bonds	0	27,350,607	22,815	27,327,792	104,655
Compensated Absences	1,391,440	278,552	34,867	1,635,125	49,873
<i>Total Long-Term Liabilities</i>	<u>\$1,391,440</u>	<u>\$27,629,159</u>	<u>\$57,682</u>	<u>\$28,962,917</u>	<u>\$154,528</u>

On September 25, 2013, the School District issued \$25,999,984 of general obligation bonds that were issued for the purpose of renovating, remodeling, rehabilitating, adding to, furnishing, equipping and otherwise improving school facilities, and acquiring, clearing and improving school facility sites. The general obligation bonds were issued for a 37 year period with a maturity date of December 1, 2049, and an interest rate of 2.00-5.50 percent. The bond issue includes serial, term and capital appreciation bonds in the amounts of \$7,855,000, \$17,960,000 and \$184,984 respectively. The bonds were issued at a premium of \$1,284,629 and a discount of \$169,445 and will be amortized over 37 years using the straight-line method.

The term bonds were issued for a 15 year period with a final maturity of December 1, 2049.

The capital appreciation bonds remained outstanding at June 30, 2014. The capital appreciation bonds were originally sold at a discount of \$1,645,016, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2019.

The maturity amount of outstanding capital appreciation bonds at June 30, 2014 is \$1,830,000. The accretion recorded for 2014 was \$235,439, for a total outstanding bond liability of \$420,423 at June 30, 2014.

The term bonds maturing on December 1, 2038, 2043 and 2049 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on August 1 in the years and in the respective principal amounts as follows:

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

Year	2013 School Improvement Term Bonds		
	\$3,535,000	\$5,545,000	\$8,880,000
2035	\$820,000	\$0	\$0
2036	860,000	0	0
2037	905,000	0	0
2038	0	0	0
2039	0	1,000,000	0
2040	0	1,050,000	0
2041	0	1,105,000	0
2042	0	1,165,000	0
2043	0	0	0
2044	0	0	1,290,000
2045	0	0	1,360,000
2046	0	0	1,435,000
2047	0	0	1,515,000
2048	0	0	1,595,000
2049	0	0	0
Total	<u>\$2,585,000</u>	<u>\$4,320,000</u>	<u>\$7,195,000</u>
<i>Stated Maturity</i>	<i>12/1/2038</i>	<i>12/1/2043</i>	<i>12/1/2049</i>

The remaining principal amount of the term bonds (\$950,000, \$1,225,000 and \$1,685,000) will mature at the stated maturity.

Compensated absences will be paid from the general fund, food service, Latchkey “KATS”, and Title I special revenue funds.

The School District's overall legal debt margin was \$374,540 with an unvoted debt margin of \$296,772 at June 30, 2014. Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2014 are as follows:

	General Obligation Bonds					
	Serial		Term		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$5,000	\$1,315,016	\$0	\$0	\$0	\$0
2016	5,000	1,314,916	0	0	0	0
2017	5,000	1,314,816	0	0	0	0
2018	5,000	1,314,716	0	0	0	0
2019	0	0	0	0	69,818	365,182
2020-2024	945,000	2,591,832	0	0	115,166	1,279,834
2025-2029	2,720,000	6,110,783	0	0	0	0
2030-2034	3,390,000	5,412,739	0	0	0	0
2035-2039	780,000	975,762	3,535,000	3,482,423	0	0
2040-2044	0	0	5,545,000	3,199,442	0	0
2045-2049	0	0	7,195,000	1,494,764	0	0
2050	0	0	1,685,000	46,338	0	0
Total	<u>\$7,855,000</u>	<u>\$20,350,580</u>	<u>\$17,960,000</u>	<u>\$8,222,967</u>	<u>\$184,984</u>	<u>\$1,645,016</u>

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

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 fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

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

	<u>Capital Improvements</u>
Set-aside Balance as of June 30, 2013	\$0
Current Year Set-aside Requirement	239,895
Permanent Improvement Levy Offset During the Fiscal Year	(128,847)
Qualifying Disbursements	<u>(48,137)</u>
Total	<u><u>\$62,911</u></u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u><u>\$62,911</u></u>
Set-aside Balance as of June 30, 2014	<u><u>\$62,911</u></u>

Note 20 – Significant Commitments

Contractual Commitments

At June 30, 2014 the School District's significant contractual commitments consisted of athletic field improvements of \$468,810. The amount of \$356,315 in contracts payable has been capitalized.

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 fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were \$1,181,514 from other governmental funds.

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education</i>					
Child Nutrition Cluster:					
School Breakfast Program	10.553	\$ 35,915	\$ -	\$ 35,915	\$ -
National School Lunch Program	10.555	242,590	14,363	242,590	14,363
Total Child Nutrition Cluster		278,505	14,363	278,505	14,363
Total U.S. Department of Agriculture		278,505	14,363	278,505	14,363
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education</i>					
Special Education Cluster:					
Special Education - Grants to States (IDEA, Part B) - 2013	84.027	75,509	-	-	-
Special Education - Grants to States (IDEA, Part B) - 2014	84.027	224,369	-	315,665	-
Total Special Education Grants to States		299,878	-	315,665	-
Special Education - Preschool Grants (IDEA Preschool) - 2013	84.173	10,595	-	-	-
Special Education - Preschool Grants (IDEA Preschool) - 2014	84.173	-	-	10,279	-
Total Special Education Preschool Grants (IDEA Preschool)		10,595	-	10,279	-
Total Special Education Cluster:		310,473	-	325,944	-
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA) - 2013	84.010	153,987	-	40,635	-
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA) - 2014	84.010	197,545	-	267,175	-
Total Title I, Part A		351,532	-	307,810	-
Title III, Part A, English Language Acquisition State Grants - 2013	84.365	4,691	-	278	-
Title III, Part A, English Language Acquisition State Grants - 2014	84.365	3,243	-	20,175	-
Total English Language Acquisition Grants		7,934	-	20,453	-
Title II, Part A, Improving Teacher Quality State Grants - 2014	84.367	35,409	-	39,304	-
ARRA - Race to the Top - 2013	84.395	23,182	-	75	-
Race to the Top - 2014	84.395	-	-	19,746	-
ARRA - AVID - Race to the Top 2013	84.395	17,897	-	-	-
AVID High School - Race to the Top 2014	84.395	-	-	17,166	-
ARRA - AVID - Middle School 2013	84.395	24,984	-	-	-
AVID - Middle School 2014	84.395	-	-	6,345	-
ARRA - AP Virtual - Race to the Top - 2013	84.395	4,202	-	922	-
ARRA - Formative Assessment Middle School - 2013	84.395	51,214	-	797	-
Formative Assessment Middle School - 2014	84.395	-	-	40,666	-
ARRA - AP Virtual - Race to the Top - 2013	84.395	1,654	-	-	-
Total Race to the Top		123,133	-	85,717	-
Total U.S. Department of Education		828,481	-	779,228	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Healthy School Leadership FY13	93.938	4,994	-	-	-
Total U.S. Department of Health and Human Services		4,994	-	-	-
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES		\$ 1,111,980	\$ 14,363	\$ 1,057,733	\$ 14,363

The accompanying notes to this Schedule are an integral part of this Schedule

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Brooklyn City School District, Cuyahoga County, Ohio, (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - 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 C – 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.

CFDA – Catalog of Federal Domestic Assistance.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Brooklyn City School District
Cuyahoga County
9200 Biddulph Road
Brooklyn, Ohio 44144

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brooklyn City School District, Cuyahoga County, Ohio (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February March 27, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State
Columbus, Ohio

March 27, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Brooklyn City School District
Cuyahoga County
9200 Biddulph Road
Brooklyn, Ohio 44144

To the Board of Education:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Brooklyn City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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.

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



Dave Yost
Auditor of State
Columbus, Ohio

March 27, 2015

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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

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 control weaknesses 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)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses 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 § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster: Special Education – Grants to States (IDEA, Part B), CFDA #84.027 Special Education – Preschool Grants (IDEA Preschool), CFDA #84.173 Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA), CFDA #84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	The District failed to implement internal controls to ensure compliance with the Suspension and Procurement and Debarment requirements.	Yes	

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BROOKLYN CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 14, 2015**