



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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the Government adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Also discussed in Note 3 to the financial statements, for fiscal year 2015, the District determined that its capital assets were understated, leading to a restatement. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions 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 present 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 April 6, 2016, 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

April 6, 2016

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Brooklyn City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
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, 2015. 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 fiscal year 2015 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 2015, 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.
- Although overall expenses decreased, cash basis expenses increased during fiscal year 2015, due to increased benefits, contracted services and interest expenses from the debt issuance. Only \$2,311,799 of the School District's expenses was offset by program specific charges for services and sales, operating and capital grants, and contributions. General revenues (primarily taxes and school foundation) of \$15,487,916 helped to provide for these programs.

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, 2015
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 fiscal year 2015?" 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 11. 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, 2015
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 2015 compared to the prior fiscal year.

Table 1
Net Position
Governmental Activities

	2015	Restated 2014	Change
Assets			
Current and Other Assets	\$23,982,714	\$40,463,009	(\$16,480,295)
Capital Assets, Net	<u>22,998,554</u>	<u>5,255,092</u>	<u>17,743,462</u>
Total Assets	<u>46,981,268</u>	<u>45,718,101</u>	<u>1,263,167</u>
Deferred Outflows of Resources			
Pension	<u>1,551,185</u>	<u>1,198,984</u>	<u>(352,201)</u>
Liabilities			
Current Liabilities	3,882,345	3,436,577	(445,768)
Long-Term Liabilities:			
Due Within One Year	67,077	154,528	87,451
Due in More than One Year:			
Net Pension Liability	21,527,947	25,589,463	4,061,516
Other Amounts	<u>28,920,047</u>	<u>28,808,389</u>	<u>(111,658)</u>
Total Liabilities	<u>54,397,416</u>	<u>57,988,957</u>	<u>3,591,541</u>
Deferred Inflows of Resources			
Property Taxes	11,598,891	8,697,995	(2,900,896)
Pension	<u>3,906,303</u>	<u>0</u>	<u>(3,906,303)</u>
Total Deferred Inflows of Resources	<u>15,505,194</u>	<u>8,697,995</u>	<u>(6,807,199)</u>
Net Position			
Investment in Capital Assets	2,521,953	4,574,586	(2,052,633)
Restricted For:			
Debt Service	0	711,134	(711,134)
Other Purposes	360,577	312,117	48,460
Unrestricted (Deficit)	<u>(24,252,687)</u>	<u>(25,367,704)</u>	<u>1,115,017</u>
Total Net Position	<u>(\$21,370,157)</u>	<u>(\$19,769,867)</u>	<u>(\$1,600,290)</u>

During fiscal year 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Brooklyn City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$3,059,419 to (\$19,769,867).

Brooklyn City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Total net position decreased compared to the prior fiscal year. Current assets decreased due to decreases in cash on hand due to the School District's capital projects. Liabilities decreased due to the decrease in net pension liability. 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.

Table 2 shows the change in net position for fiscal year 2015 for governmental activities compared to the prior fiscal year.

Table 2
Changes in Net Position
Governmental Activities

	2015	Restated 2014	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$425,259	\$490,626	(\$65,367)
Operating Grants and Contributions	1,876,458	1,891,569	(15,111)
Capital Grants and Contributions	10,082	6,501	3,581
<i>Total Program Revenues</i>	<u>2,311,799</u>	<u>2,388,696</u>	<u>(76,897)</u>
General Revenues:			
Property Taxes	11,240,722	12,343,258	(1,102,536)
Grant and Entitlements	3,742,129	3,285,206	456,923
Investment Earnings	50,540	14,970	35,570
Miscellaneous	454,525	198,286	256,239
<i>Total General Revenues</i>	<u>15,487,916</u>	<u>15,841,720</u>	<u>(353,804)</u>
Total Revenues	<u>17,799,715</u>	<u>18,230,416</u>	<u>(430,701)</u>
Program Expenses			
Instruction	10,787,632	12,933,048	2,145,416
Support Services:			
Pupil	1,694,812	1,746,298	51,486
Instructional Staff	210,194	243,464	33,270
Board of Education	23,530	62,122	38,592
Administration	1,599,604	1,871,640	272,036
Fiscal	671,714	811,262	139,548
Business	105,907	65,278	(40,629)
Operation and Maintenance of Plant	1,153,515	1,220,656	67,141
Pupil Transportation	329,849	377,272	47,423
Central	214,621	176,091	(38,530)
Operation of Non-Instructional Services:			
Food Service Operations	407,191	462,022	54,831
Other Non-Instructional Services	287,905	383,600	95,695
Extracurricular Activities	529,288	527,981	(1,307)
Interest and Fiscal Charges	1,384,243	1,220,842	(163,401)
<i>Total Program Expenses</i>	<u>19,400,005</u>	<u>22,101,576</u>	<u>2,701,571</u>
<i>Change in Net Position</i>	<u>(1,600,290)</u>	<u>(3,871,160)</u>	<u>2,270,870</u>
<i>Net Position Beginning of Year - Restated (See Note 3)</i>	<u>(19,769,867)</u>	N/A	
<i>Net Position End of Year</i>	<u>(\$21,370,157)</u>	<u>(\$19,769,867)</u>	<u>\$2,270,870</u>

Brooklyn City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,198,984 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$840,277. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$19,400,005
Pension expense under GASB 68	(840,277)
2015 contractually required contribution	1,347,691
Adjusted 2015 program expenses	19,907,419
Total 2014 program expenses under GASB 27	(22,101,576)
Increase in program expenses no related to pension	(\$2,194,157)

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 \$11,240,722 in fiscal year 2015. 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 decrease in revenues was primarily due to the decrease in property taxes. Overall expenses decreased from the prior fiscal year reflected decreased costs mostly due to a large decrease in instruction expenses related to bond issuance costs incurred in fiscal year 2014 and a larger amount of expenses being capitalized in fiscal year 2015.

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.

Brooklyn City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Table 3
 Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction	\$10,787,632	\$12,933,048	(\$9,376,514)	(\$11,478,732)
Support Services:				
Pupil	1,694,812	1,746,298	(1,669,250)	(1,725,822)
Instructional Staff	210,194	243,464	(191,786)	(235,788)
Board of Education	23,530	62,122	(23,399)	(61,744)
Administration	1,599,604	1,871,640	(1,591,140)	(1,855,665)
Fiscal	671,714	811,262	(668,225)	(806,331)
Business	105,907	65,278	(105,440)	(64,881)
Operation and Maintenance of Plant	1,153,515	1,220,656	(1,126,093)	(1,039,157)
Pupil Transportation	329,849	377,272	(328,163)	(374,986)
Central	214,621	176,091	(213,545)	(175,037)
Operation of Non-Instructional Services				
Food Service Operations	407,191	462,022	(16,869)	(38,974)
Other Non-Instructional Services	287,905	383,600	20,141	(244,847)
Extracurricular Activities	529,288	527,981	(413,680)	(390,074)
Interest and Fiscal Charges	1,384,243	1,220,842	(1,384,243)	(1,220,842)
Total Expenses	\$19,400,005	\$22,101,576	(\$17,088,206)	(\$19,712,880)

The dependence upon general revenues for governmental activities is apparent. 57.94 percent of total expenses are supported through taxes. Program revenues support 11.92 percent of expenses. Property taxes, grants and entitlements not restricted to specific programs and other miscellaneous type revenues support the remaining expenses.

The School District's Funds

Information regarding the School District's major funds starts on page 16. 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 \$17,904,291 and expenditures of \$37,626,682. The fund balance in the general fund decreased by \$1,985,752, which was due to a decrease in revenues and an increase in expenditures. The decrease in the building fund is the result of the School District beginning capital projects.

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 2015, the School District amended its general fund budget various 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 revenues were \$1,983,725 under actual revenues. The \$3,093,897 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 increased by \$615,916, which was attributable to revenues coming in higher than anticipated, mainly due to increased property tax and homestead and rollback collections.

Brooklyn City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Capital Assets and Debt Administration

Capital Assets

Table 4 details fiscal year 2015 balances compared to the prior fiscal year. More detailed information is presented in Note 8 of the notes to the basic financial statements.

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

	2015	Restated 2014
Land	\$1,382,547	\$1,382,547
Construction in Progress	17,563,880	680,506
Buildings and Improvements	3,445,443	2,572,372
Furniture and Equipment	544,488	544,001
Vehicles	62,196	75,666
Total	\$22,998,554	\$5,255,092

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 2015, 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 2015, this amounted to \$237,927. See Note 18 for additional set-aside information.

Debt

At June 30, 2015, the School District had \$27,392,027 in bonds outstanding, with \$5,000 due within one year. Table 5 summarizes the outstanding debt.

Table 5
 Outstanding Debt, at Year End
 Governmental Activities

	2015	2014
2014 School Improvement Bonds	\$27,392,027	\$27,327,792

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, 2015, the School District's overall legal debt margin was \$1,728,261 with an unvoted debt margin of \$301,031. See Note 17 to the basic financial statements for additional information on debt.

Brooklyn City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

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 and the potential loss of property value as American Greetings, another major commercial tax payer, prepares to move out of the city. Cuyahoga County changed the property tax collection rate for the School District from 90.233 percent to 91.881 percent for calendar year 2015. This increase in property tax collection rate will further increase future tax revenues for the School District. On May 5, 2015 the community passed a renewal of our 6 mill operating levy.

During fiscal year 2015, employee benefits increased proportionally to salaries and staffing with a trend of 35 percent. Hospitalization costs increased by seventeen percent due to increases in utilization, inflation, and the Affordable Care Act fees.

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, 2015

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$11,368,635
Accounts Receivable	10,125
Intergovernmental Receivable	103,250
Prepaid Items	20,726
Materials and Supplies Inventory	15,290
Inventory Held for Resale	26,952
Property Taxes Receivable	12,437,736
Non-depreciable Capital Assets	18,946,427
Depreciable Capital Assets, Net	4,052,127
<i>Total Assets</i>	<u>46,981,268</u>
Deferred Outflows of Resources	
Pension	<u>1,551,185</u>
Liabilities	
Accounts Payable	85,676
Accrued Wages and Benefits	1,431,983
Intergovernmental Payable	403,758
Contracts Payable	1,436,703
Accrued Interest Payable	109,581
Matured Compensated Absences Payable	52,166
Retainage Payable	362,478
Long-Term Liabilities:	
Due Within One Year	67,077
Due In More Than One Year:	
Net Pension Liability (See Note 20)	21,527,947
Other Amounts due in More Than One Year	28,920,047
<i>Total Liabilities</i>	<u>54,397,416</u>
Deferred Inflows of Resources	
Property Taxes	11,598,891
Pension	3,906,303
	<u>15,505,194</u>
Net Position	
Investment in Capital Assets	2,521,953
Restricted for:	
Other Purposes	360,577
Unrestricted (Deficit)	<u>(24,252,687)</u>
<i>Total Net Position</i>	<u><u>(\$21,370,157)</u></u>

See accompanying notes to the basic financial statements

Brooklyn City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$7,728,765	\$40,446	\$187,253	\$0	(\$7,501,066)
Special	2,940,045	12,288	1,168,877	0	(1,758,880)
Vocational	116,967	608	1,646	0	(114,713)
Other	1,855	0	0	0	(1,855)
Support Services:					
Pupil	1,694,812	8,637	16,925	0	(1,669,250)
Instructional Staff	210,194	18,408	0	0	(191,786)
Board of Education	23,530	131	0	0	(23,399)
Administration	1,599,604	8,464	0	0	(1,591,140)
Fiscal	671,714	3,489	0	0	(668,225)
Business	105,907	467	0	0	(105,440)
Operation and Maintenance of Plant	1,153,515	11,940	5,400	10,082	(1,126,093)
Pupil Transportation	329,849	1,686	0	0	(328,163)
Central	214,621	1,076	0	0	(213,545)
Operation of Non-Instructional Services:					
Food Service Operations	407,191	116,382	273,940	0	(16,869)
Other Non-Instructional Services	287,905	99,770	208,276	0	20,141
Extracurricular Activities	529,288	101,467	14,141	0	(413,680)
Interest and Fiscal Charges	1,384,243	0	0	0	(1,384,243)
Totals	\$19,400,005	\$425,259	\$1,876,458	\$10,082	(\$17,088,206)

General Revenues

Property Taxes Levied for:

General Purposes	10,059,473
Debt Service	1,071,421
Capital Projects	109,828
Grants and Entitlements not Restricted to Specific Programs	3,742,129
Investment Earnings	50,540
Miscellaneous	454,525
Total General Revenues	15,487,916

Change in Net Position (1,600,290)

Net Position Beginning of Year - Restated (See Note 3) (19,769,867)

Net Position End of Year (\$21,370,157)

See accompanying notes to the basic financial statements

Brooklyn City School District

Balance Sheet

Governmental Funds

June 30, 2015

	<u>General</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,950,972	\$7,022,349	\$1,292,021	\$11,265,342
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	103,293	0	0	103,293
Accounts Receivable	10,125	0	0	10,125
Intergovernmental Receivable	0	0	103,250	103,250
Prepaid Items	20,126	0	600	20,726
Materials and Supplies Inventory	15,290	0	0	15,290
Inventory Held for Resale	0	0	26,952	26,952
Interfund Receivable	85,844	0	0	85,844
Property Taxes Receivable	10,956,587	0	1,481,149	12,437,736
<i>Total Assets</i>	<u>\$14,142,237</u>	<u>\$7,022,349</u>	<u>\$2,903,972</u>	<u>\$24,068,558</u>
Liabilities				
Accounts Payable	\$19,834	\$43,805	\$22,037	\$85,676
Accrued Wages and Benefits	1,388,655	0	43,328	1,431,983
Intergovernmental Payable	389,253	573	13,932	403,758
Contracts Payable	0	1,436,703	0	1,436,703
Matured Compensated Absences Payable	52,166	0	0	52,166
Retainage Payable	0	362,478	0	362,478
Interfund Payable	0	0	85,844	85,844
<i>Total Liabilities</i>	<u>1,849,908</u>	<u>1,843,559</u>	<u>165,141</u>	<u>3,858,608</u>
Deferred Inflows of Resources				
Property Taxes	10,204,332	0	1,394,559	11,598,891
Unavailable Revenue	538,541	0	164,780	703,321
<i>Total Deferred Inflows of Resources</i>	<u>10,742,873</u>	<u>0</u>	<u>1,559,339</u>	<u>12,302,212</u>
Fund Balances				
Nonspendable	35,416	0	600	36,016
Restricted	103,293	5,178,790	1,228,963	6,511,046
Assigned	3,643,617	0	0	3,643,617
Unassigned (Deficit)	(2,232,870)	0	(50,071)	(2,282,941)
<i>Total Fund Balances</i>	<u>1,549,456</u>	<u>5,178,790</u>	<u>1,179,492</u>	<u>7,907,738</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$14,142,237</u>	<u>\$7,022,349</u>	<u>\$2,903,972</u>	<u>\$24,068,558</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, 2015*

Total Governmental Fund Balances		\$7,907,738
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		22,998,554
Other long-term assets are not available to pay for current period expenditures and therefore are unavailable in the funds:		
Delinquent Property Taxes	601,397	
Intergovernmental	101,924	
Total	703,321	703,321
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental fund, an interest expenditure is reported when due.		(109,581)
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	(26,330,078)	
Discount on Bonds	161,360	
Premium on Bonds	(1,223,309)	
Compensated Absences	(1,595,097)	
Total	(28,987,124)	(28,987,124)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	1,551,185	
Net Pension Liability	(21,527,947)	
Deferred Inflows - Pension	(3,906,303)	
Total	(23,883,065)	(23,883,065)
<i>Net Position of Governmental Activities</i>		<u><u>(\$21,370,157)</u></u>

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, 2015

	General	Building	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$10,000,471	\$2,678	\$1,183,992	\$11,187,141
Intergovernmental	4,225,665	0	1,553,218	5,778,883
Interest	477	50,063	0	50,540
Tuition and Fees	92,546	0	0	92,546
Extracurricular Activities	0	0	99,561	99,561
Contributions and Donations	919	0	7,024	7,943
Charges for Services	10,795	0	216,152	226,947
Rentals	6,205	0	0	6,205
Miscellaneous	423,780	0	30,745	454,525
<i>Total Revenues</i>	<u>14,760,858</u>	<u>52,741</u>	<u>3,090,692</u>	<u>17,904,291</u>
Expenditures				
Current:				
Instruction:				
Regular	7,734,444	0	133,827	7,868,271
Special	2,403,519	0	547,788	2,951,307
Vocational	118,893	0	0	118,893
Other	1,842	0	0	1,842
Support Services:				
Pupil	1,667,090	0	16,719	1,683,809
Instructional Staff	213,516	0	0	213,516
Board of Education	25,822	0	0	25,822
Administration	1,695,480	8,624	0	1,704,104
Fiscal	681,524	0	0	681,524
Business	92,265	12,672	0	104,937
Operation and Maintenance of Plant	1,130,761	0	5,064	1,135,825
Pupil Transportation	327,794	0	0	327,794
Central	211,266	0	0	211,266
Operation of Non-Instructional Services:	0	0	693,521	693,521
Extracurricular Activities	388,578	0	149,733	538,311
Capital Outlay	1,546	17,972,893	71,485	18,045,924
Debt Service:				
Principal Retirement	0	0	5,000	5,000
Interest and Fiscal Charges	0	0	1,315,016	1,315,016
<i>Total Expenditures</i>	<u>16,694,340</u>	<u>17,994,189</u>	<u>2,938,153</u>	<u>37,626,682</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,933,482)</u>	<u>(17,941,448)</u>	<u>152,539</u>	<u>(19,722,391)</u>
Other Financing Sources (Uses)				
Transfers In	0	0	52,270	52,270
Transfers Out	(52,270)	0	0	(52,270)
<i>Total Other Financing Sources (Uses)</i>	<u>(52,270)</u>	<u>0</u>	<u>52,270</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(1,985,752)	(17,941,448)	204,809	(19,722,391)
<i>Fund Balances Beginning of Year</i>	<u>3,535,208</u>	<u>23,120,238</u>	<u>974,683</u>	<u>27,630,129</u>
<i>Fund Balances End of Year</i>	<u>\$1,549,456</u>	<u>\$5,178,790</u>	<u>\$1,179,492</u>	<u>\$7,907,738</u>

See accompanying notes to the basic financial statement:

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, 2015*

Net Change in Fund Balances - Total Governmental Funds (\$19,722,391)

*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	17,917,776	
Current Year Depreciation	(174,314)	
Total		17,743,462

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

Delinquent Property Taxes	53,581	
Intergovernmental	(158,157)	
Total		(104,576)

Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 5,000

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. 40,028

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

Accrued Interest on Bonds	8	
Amortization of Discount	(4,620)	
Amortization of Premium	35,040	
Accretion	(99,655)	
Total		(69,227)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 1,347,691

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (840,277)

Change in Net Position of Governmental Activities (\$1,600,290)

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, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$8,597,548	\$10,855,689	\$12,279,042	\$1,423,353
Intergovernmental	2,971,747	3,741,130	4,239,326	498,196
Interest	334	421	477	56
Tuition and Fees	64,370	74,466	85,257	10,791
Contributions and Donations	644	0	0	0
Charges for Services	7,567	0	0	0
Rentals	4,350	5,476	6,205	729
Miscellaneous	293,623	356,898	407,498	50,600
<i>Total Revenues</i>	<u>11,940,183</u>	<u>15,034,080</u>	<u>17,017,805</u>	<u>1,983,725</u>
Expenditures				
Current:				
Instruction:				
Regular	7,339,808	7,674,923	7,674,923	0
Special	2,199,249	2,387,849	2,387,849	0
Vocational	114,088	118,663	118,663	0
Adult/Continuing	10,249	1,842	1,842	0
Support Services:				
Pupil	1,550,882	1,645,739	1,645,739	0
Instructional Staff	200,730	202,235	202,235	0
Board of Education	36,700	50,747	50,747	0
Administration	1,539,334	1,618,158	1,618,158	0
Fiscal	639,153	761,827	761,827	0
Business	83,762	92,265	92,265	0
Operation and Maintenance of Plant	1,041,349	1,136,628	1,136,628	0
Pupil Transportation	323,311	321,857	321,857	0
Central	157,307	210,863	210,863	0
Extracurricular Activities	331,165	373,997	373,997	0
Capital Outlay	2,588	1,546	1,546	0
<i>Total Expenditures</i>	<u>15,569,675</u>	<u>16,599,139</u>	<u>16,599,139</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(3,629,492)</u>	<u>(1,565,059)</u>	<u>418,666</u>	<u>1,983,725</u>
Other Financing Sources (Uses)				
Advances In	334,368	334,368	334,368	0
Advances Out	(234,755)	(84,848)	(84,848)	0
Transfers Out	(892)	(52,270)	(52,270)	0
<i>Total Other Financing Sources (Uses)</i>	<u>98,721</u>	<u>197,250</u>	<u>197,250</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(3,530,771)	(1,367,809)	615,916	1,983,725
<i>Fund Balance Beginning of Year</i>	<u>2,379,265</u>	<u>2,379,265</u>	<u>2,379,265</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>(\$1,151,506)</u></u>	<u><u>\$1,011,456</u></u>	<u><u>\$2,995,181</u></u>	<u><u>\$1,983,725</u></u>

See accompanying notes to the basic financial statements

Brooklyn City School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2015

Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$21,213</u></u>
Liabilities	
Due to Students	<u><u>\$21,213</u></u>

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, 2015

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 6 full-time and 59 part-time classified personnel, 101 certified teaching personnel, 11 administrators, and 1 supervisor and 3 exempted employees who provide services to community members and 1,313 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 15 and 16 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 as follows.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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, 2015

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 outflows/inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal 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, 2015

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the 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 represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 20.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 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. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 20).

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 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.

Prepays

Payments made to vendors for services that will benefit periods beyond June 30, 2015, 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.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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.

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.

Bond Premiums and Discounts

On the government-wide financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are receipted in the year the bonds are issued. On the government-wide financial statements, bond discounts are presented as a decrease of the face amount of the general obligation bonds payable. On the fund financial statements, bond discounts are expended in the year the bonds are issued.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Internal Activity

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

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

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.

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 and net pension liability 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.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 includes 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 statute. The Board assigned fund balance to cover purchase orders and a gap between estimated revenues and appropriations in fiscal year 2016’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.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 3 – Change in Accounting Principle and Restatement of Net Position

For fiscal year 2015, the School District implemented the Governmental Accounting Standards Board (GASB) Statement-No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure.

Also, for fiscal year 2015, the School District determined that its capital assets were understated, leading to a restatement.

The implementation of this pronouncement and the capital assets understatement had the following effect on net position as reported June 30, 2014:

	Governmental Activities
Net Position June 30, 2014	\$3,059,419
Adjustments:	
Net Pension Liability	(25,589,463)
Deferred Outflow - Payments Subsequent to Measurement Date	1,198,984
Capital Asset Restatement	1,561,193
Restated Net Position June 30, 2014	(\$19,769,867)

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Note 4 – Fund Deficits

At June 30, 2015, the following funds had deficit fund balances:

	Amounts
<i>Special Revenue Funds:</i>	
Title VI-B	\$19,704
Miscellaneous State Grants	14,542
Race to the Top	6,061
Limited English Proficiency	5,269
Wellness	4,354
Title II-A	141

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.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 5 – Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund 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).
2. 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.
3. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
4. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
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	(\$1,985,752)
Net Adjustment for Revenue Accruals	2,225,853
Beginning Unrecorded Cash	1,752
Ending Unrecorded Cash	(309)
Advances In	334,368
Net Adjustment for Expenditure Accruals	122,743
Advances Out	(84,848)
Perspective Differences:	
Uniform School Supplies	7,360
Public School Support	(5,251)
Budget Basis	\$615,916

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 6 – Deposits and Investments

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

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

Inactive deposits are public deposits that the Board 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 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.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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, \$12,837,881 of the School District's bank balance of \$13,337,881 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.

Note 7 – Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. First half tax 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 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, 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 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in calendar year 2015 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, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2015 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.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The amount available as an advance at June 30, 2015, was \$213,714 in the general fund, \$22,482 in the debt service bond retirement fund and \$1,252 in the permanent improvement capital projects fund. 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.

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.

The assessed values upon which fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$277,291,870	93.44 %	\$278,916,350	92.65 %
Public Utility Personal	19,480,320	6.56	22,114,890	7.35
Total	\$296,772,190	100.00 %	\$301,031,240	100.00 %
 Tax rate per \$1,000 of assessed valuation	 \$60.10		 \$60.20	

Note 8 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Restated Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Governmental Activities:				
<i>Capital Assets not being Depreciated:</i>				
Land	\$1,382,547	\$0	\$0	\$1,382,547
Construction in Progress	680,506	17,623,054	(739,680)	17,563,880
Total Capital Assets not being Depreciated	2,063,053	17,623,054	(739,680)	18,946,427
<i>Capital Assets being Depreciated:</i>				
Buildings and Improvements	7,484,562	976,289	0	8,460,851
Furniture and Equipment	3,252,543	58,113	0	3,310,656
Vehicles	350,551	0	0	350,551
Total Capital Assets being Depreciated	11,087,656	1,034,402	0	12,122,058
<i>Less: Accumulated Depreciation:</i>				
Buildings and Improvements	(4,912,190)	(103,218)	0	(5,015,408)
Furniture and Equipment	(2,708,542)	(57,626)	0	(2,766,168)
Vehicles	(274,885)	(13,470)	0	(288,355)
Total Accumulated Depreciation	(7,895,617)	(174,314) *	0	(8,069,931)
Total Capital Assets being Depreciated, Net	3,192,039	860,088	0	4,052,127
Governmental Activities Capital Asset, Net	\$5,255,092	\$18,483,142	(\$739,680)	\$22,998,554

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

* Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$133,997
Special	592
Support Services:	
Administration	2,329
Fiscal	303
Business	211
Operation and Maintenance of Plant	21,569
Pupil Transportation	1,259
Central	3,456
Food Service Operations	4,069
Non-Instructional Services	4,146
Extracurricular Activities	2,383
Total Depreciation Expense	\$174,314

Note 9 – Receivables

Receivables at June 30, 2015, 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	\$58,901
Title VI-B	37,719
Limited English Proficiency	5,280
Local Grants	1,326
Improving Teacher II-A	24
<i>Total Intergovernmental Receivables</i>	\$103,250

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 10 – 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 as follows:

Fund Balances	General	Building	Other Governmental Funds	Total
<i>Nonspendable:</i>				
Inventory	\$15,290	\$0	\$0	\$15,290
Prepays	20,126	0	600	20,726
<i>Total Nonspendable</i>	35,416	0	600	36,016
<i>Restricted for:</i>				
Food Service Operations	0	0	79,240	79,240
College Scholarships	0	0	106,543	106,543
Professional Development	0	0	3,710	3,710
Latchkey "Kats" Program	0	0	48,602	48,602
Athletics and Music	0	0	25,783	25,783
Auxiliary Services	0	0	47,535	47,535
Technology Improvements	0	0	16,364	16,364
Special Instruction	0	0	22,446	22,446
Preschool	0	0	1,690	1,690
Set Aside	103,293	0	0	103,293
Debt Service Payments	0	0	630,433	630,433
Capital Improvements	0	5,178,790	246,617	5,425,407
<i>Total Restricted</i>	103,293	5,178,790	1,228,963	6,511,046
<i>Assigned to:</i>				
Purchases on Order:				
Instruction	2,222	0	0	2,222
Fiscal Year 2016 Appropriations	3,641,395	0	0	3,641,395
<i>Total Assigned</i>	3,643,617	0	0	3,643,617
<i>Unassigned (Deficit)</i>	(2,232,870)	0	(50,071)	(2,282,941)
<i>Total Fund Balances</i>	\$1,549,456	\$5,178,790	\$1,179,492	\$7,907,738

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 11 – Interfund Balances and Transactions

Interfund Balances

Interfund balances at June 30, 2015, consist of the following individual fund receivables and payables:

Interfund Payable	Interfund Receivable General Fund
Other Governmental Funds:	
Wellness/Recreation	\$5,144
Local Grants	1,398
Miscellaneous State Grants	18,828
Race to the Top	6,093
Title VI-B	34,336
Limited English Proficiency	5,269
Title I	14,776
Total	\$85,844

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 2016.

Interfund Transactions

The general fund made transfers in the amounts of \$52,166 and \$104 to the special trust and miscellaneous state grants special revenue funds, respectively, to support programs.

Note 12 – 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 \$56,713,788 with a \$2,500 deductible for fiscal year 2015. The inland marine coverage includes \$500,000 with a \$500 deductible for computer equipment and \$307,738 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 \$100,000 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.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 \$100,000 with a \$1,000 deductible. The District also carries \$25,000, \$1,000 deductible, counterfeit coverage, \$25,000, \$1,000 deductible, computer fraud coverage, and \$25,000, \$1,000 deductible, forgery and alterations coverage. These bonds are provided by the Huntington Insurance, Incorporated.

Workers' Compensation

For fiscal year 2015, the School District participated in the Ohio School Boards' Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 15). 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 & Company provides administrative, cost control and actuarial services to the GRP.

Note 13 – 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:

Completed Service	Vacation Leave
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.

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For the Fiscal Year Ended June 30, 2015

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 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.

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 14 – 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, 2015, if applicable, cannot be determined at this time.

School Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Litigation

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

Note 15 – 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 16 – 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 2015. Financial information can be obtained by contacting the Treasurer at the Polaris Career Center, 7285 Old Oak Boulevard, Middleburg Heights, Ohio 44130.

Ohio Schools' Council

The Ohio Schools Council (Council) is a jointly governed organization among 200 members. 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 2015, 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 Council's natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Compass Energy has been selected as the supplier and program manager for the period from October 1, 2010 through March 31, 2016. There are

Brooklyn City School District
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currently 151 participants in the program, including the North Royalton 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 \$41,860 to NCC during fiscal year 2015. Financial information can be obtained by contacting the Treasurer of the fiscal agent at 6393 Oak Tree Boulevard, Independence, Ohio 44131.

Note 17 – Long-Term Obligations

The changes in the School District's long-term obligation during fiscal year 2015 were as follows:

	Balance 6/30/2014	Additions	Deletions	Balance 6/30/2015	Due In One Year
Governmental Activities:					
General Obligation Bonds:					
Serial Bonds	\$7,855,000	\$0	\$5,000	\$7,850,000	\$5,000
Term Bonds	17,960,000	0	0	17,960,000	0
Capital Appreciation Bonds	184,984	0	0	184,984	0
Accretion	235,439	99,655	0	335,094	0
Unamortized Discount	(165,980)	0	(4,620)	(161,360)	0
Unamortized Premium	1,258,349	0	35,040	1,223,309	0
Total General Obligation Bonds	<u>27,327,792</u>	<u>99,655</u>	<u>35,420</u>	<u>27,392,027</u>	<u>5,000</u>
Compensated Absences	<u>1,635,125</u>	<u>134,119</u>	<u>174,147</u>	<u>1,595,097</u>	<u>62,077</u>
Net Pension Liability:					
STRS	21,632,424	0	3,472,129	18,160,295	0
SERS	3,957,039	0	589,387	3,367,652	0
Total Net Pension Liability	<u>25,589,463</u>	<u>0</u>	<u>4,061,516</u>	<u>21,527,947</u>	<u>0</u>
<i>Total Long-Term Liabilities</i>	<u><u>\$54,552,380</u></u>	<u><u>\$233,774</u></u>	<u><u>\$4,271,083</u></u>	<u><u>\$50,515,071</u></u>	<u><u>\$67,077</u></u>

Brooklyn City School District
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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, 2015. 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, 2015 is \$1,830,000. The accretion recorded for fiscal year 2015 was \$99,655, for a total outstanding bond liability of \$520,078 at June 30, 2015.

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:

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
2039	0	1,000,000	0
2040	0	1,050,000	0
2041	0	1,105,000	0
2042	0	1,165,000	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
Total	\$2,585,000	\$4,320,000	\$7,195,000
<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.

Brooklyn City School District
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The School District's overall legal debt margin was \$1,728,261 with an unvoted debt margin of \$301,031 at June 30, 2015. Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2015 are as follows:

	General Obligation Bonds					
	Serial		Term		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
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	0	0	0	0	52,438	412,562
2021-2025	1,445,000	3,858,698	0	0	62,728	867,272
2026-2030	2,835,000	5,990,539	0	0	0	0
2031-2035	3,555,000	5,241,879	0	0	0	0
2036-2040	0	0	4,535,000	4,235,685	0	0
2041-2045	0	0	5,835,000	2,899,105	0	0
2046-2050	0	0	7,590,000	1,088,177	0	0
Total	\$7,850,000	\$19,035,564	\$17,960,000	\$8,222,967	\$184,984	\$1,645,016

Compensated absences will be paid from the general fund, food service, latchkey "KATS", and title I special revenue funds. The School District pays obligations related to employee compensation from the fund benefitting from their service.

Note 18 – Set-Aside Calculation

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, 2014	\$62,911
Current Year Set-aside Requirement	237,927
Permanent Improvement Levy Offset During the Fiscal Year	(120,749)
Qualifying Disbursements	<u>(76,796)</u>
Total	<u>\$103,293</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>
Set-aside Balance as of June 30, 2015	<u>\$0</u>

Brooklyn City School District
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Note 19 – Significant Commitments

Contractual Commitments

At June 30, 2015 the School District’s significant contractual commitments consisted of \$4,982,648 remaining on a contract to build a new preK-7 building addition to the existing High School. The amount of \$1,436,703 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 as follows:

<i>Governmental:</i>	
Building	\$2,030,631
Other Governmental Funds	<u>91,024</u>
Total Governmental	<u><u>\$2,121,655</u></u>

Note 20 – Defined Benefit Pension Plans

Net Pension Liability

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities

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within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans: a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,071,289 for fiscal year 2015. Of this amount \$140,017 is reported as an intergovernmental payable.

Plan Description – School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$276,402 for fiscal year 2015. Of this amount \$21,001 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	STRS	SERS	Total
Proportionate Share of the Net Pension Liability	\$18,160,295	\$3,367,652	\$21,527,947
Proportion of the Net Pension Liability	0.07466164%	0.06654200%	
Pension Expense	\$667,364	\$172,913	\$840,277

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	STRS	SERS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$174,832	\$28,662	\$203,494
School District contributions subsequent to the measurement date	1,071,289	276,402	1,347,691
Total Deferred Outflows of Resources	\$1,246,121	\$305,064	\$1,551,185
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$3,359,723	\$546,580	\$3,906,303

Brooklyn City School District
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For the Fiscal Year Ended June 30, 2015

\$1,347,691 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	STRS	SERS	Total
Fiscal Year Ending June 30:			
2016	(\$796,223)	(\$129,407)	(\$925,630)
2017	(796,223)	(129,407)	(925,630)
2018	(796,223)	(129,407)	(925,630)
2019	(796,222)	(129,697)	(925,919)
Total	(\$3,184,891)	(\$517,918)	(\$3,702,809)

Actuarial Assumptions – STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

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Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$25,998,442	\$18,160,295	\$11,531,860

Actuarial Assumptions – SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented as follows:

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$4,804,640	\$3,367,652	\$2,159,023

Note 21 – Postemployment Benefits

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) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. 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 2015, STRS did not allocate any employer contributions to post-employment health care. The School District’s contributions for health care for the fiscal years ended June 30, 2015, 2014 and 2013 were \$0, \$76,863, and \$75,500, respectively. For fiscal year 2015, 86.93 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

School Employees Retirement System

Health Care Plan Description – The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS’ website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS’ Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS’ participation in Medicare programs. 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.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer’s SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District’s surcharge obligation was \$33,631.

The School District’s contributions for health care for the fiscal years ended June 30, 2015, 2014 and 2013 were \$17,196, \$33,670 and \$3,018, respectively. For fiscal year 2015, 92.40 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

Note 22 – Subsequent Event

On December 28, 2015, the School District experienced a fire caused by arson that damaged the north end of the west bleachers of the School District’s athletic stadium. The School District is currently working with representatives from the property insurance company, Huntington Insurance, Incorporated, to determine the extent of the damage and the cost of repairs and replacements. School District insurance coverage will cover the total cost of repair, less deductible, and will cover the replacement of supplies and materials stored beneath the bleachers, less deductible and depreciation. The School District expects that insurance will cover costs as outlined above and therefore does not expect an adverse financial impact on the School District’s finances.

Required Supplementary Information

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

	2014	2013
School District's Proportion of the Net Pension Liability	0.07466164%	0.07466164%
School District's Proportionate Share of the Net Pension Liability	\$18,160,295	\$21,632,424
School District's Covered-Employee Payroll	\$7,343,092	\$7,550,038
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	247.31%	286.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date, which is the prior fiscal year end.

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

	2014	2013
School District's Proportion of the Net Pension Liability	0.06654200%	0.06654200%
School District's Proportionate Share of the Net Pension Liability	\$3,367,652	\$3,957,039
School District's Covered-Employee Payroll	\$1,763,218	\$1,886,069
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	190.99%	209.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date, which is the prior fiscal year end.

Brooklyn City School District
Required Supplementary Information
Schedule of School District Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$1,071,289	\$954,602	\$981,505	\$1,008,220
Contributions in Relation to the Contractually Required Contribution	<u>(1,071,289)</u>	<u>(954,602)</u>	<u>(981,505)</u>	<u>(1,008,220)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$7,652,064	\$7,343,092	\$7,550,038	\$7,755,538
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%

2011	2010	2009	2008	2007	2006
\$1,010,010	\$996,947	\$921,008	\$1,007,492	\$952,505	\$918,476
(1,010,010)	(996,947)	(921,008)	(1,007,492)	(952,505)	(918,476)
\$0	\$0	\$0	\$0	\$0	\$0
\$7,769,308	\$7,668,823	\$7,084,677	\$7,749,938	\$7,326,962	\$7,065,200
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Brooklyn City School District
Required Supplementary Information
Schedule of School District Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$276,402	\$244,382	\$261,032	\$274,951
Contributions in Relation to the Contractually Required Contribution	<u>(276,402)</u>	<u>(244,382)</u>	<u>(261,032)</u>	<u>(274,951)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$2,097,132	\$1,763,218	\$1,886,069	\$2,044,245
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$251,470	\$246,303	\$146,946	\$187,577	\$193,920	\$197,633
<u>(251,470)</u>	<u>(246,303)</u>	<u>(146,946)</u>	<u>(187,577)</u>	<u>(193,920)</u>	<u>(197,633)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,000,557	\$1,819,077	\$1,493,354	\$1,910,153	\$1,815,730	\$1,867,987
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

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**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015**

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	\$ 38,428	\$ -	\$ 38,428	\$ -
National School Lunch Program	10.555	241,128	16,722	241,128	16,722
Total Child Nutrition Cluster		279,556	16,722	279,556	16,722
Total U.S. Department of Agriculture		279,556	16,722	279,556	16,722
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education</i>					
Special Education Cluster:					
Special Education - Grants to States (IDEA, Part B) - 2014	84.027	91,498	-	202	-
Special Education - Grants to States (IDEA, Part B) - 2015	84.027	275,106	-	296,706	-
Total Special Education Grants to States		366,604	-	296,908	-
Special Education - Preschool Grants (IDEA Preschool) - 2014	84.173	10,279	-	-	-
Special Education - Preschool Grants (IDEA Preschool) - 2015	84.173	10,277	-	10,277	-
Total Special Education Preschool Grants (IDEA Preschool)		20,556	-	10,277	-
Total Special Education Cluster:		387,160	-	307,185	-
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA) - 2014	84.010	114,431	-	44,801	-
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA) - 2015	84.010	227,888	-	234,291	-
Total Title I, Part A		342,319	-	279,092	-
Title III, Part A, English Language Acquisition State Grants - 2014	84.365	18,240	-	1,309	-
Title III, Part A, English Language Acquisition State Grants - 2015	84.365	18,935	-	22,985	-
Title III, Part A, English Language Acquisition State Grants - Immigrants	84.365	-	-	1,218	-
Total English Language Acquisition Grants		37,175	-	25,512	-
Title II, Part A, Improving Teacher Quality State Grants - 2014	84.367	3,895	-	-	-
Title II, Part A, Improving Teacher Quality State Grants - 2015	84.367	40,061	-	40,061	-
Total Improving Teacher Quality State Grants		43,956	-	40,061	-
ARRA - Race to the Top - 2014	84.395	21,737	-	1,990	-
ARRA - Race to the Top - 2015	84.395	19,222	-	19,222	-
AVID High School - 2014	84.395	17,999	-	833	-
AVID - Middle School 2014	84.395	17,320	-	12,312	-
Formative Assessment Middle School - 2014	84.395	57,264 *	-	16,566	-
Race to the Top - Mini Grant 2014	84.395	4,092	-	4,092	-
Race to the Top - Mini Grant 2015	84.395	-	-	4,756	-
Total Race to the Top		137,634	-	59,771	-
Total U.S. Department of Education		948,244	-	711,621	-
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES		\$ 1,227,800	\$ 16,722	\$ 991,177	\$ 16,722

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, 2015**

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 6, 2016, wherein we noted the District adopted Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27 and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We also noted, for fiscal year 2015, the District determined its capital assets were understated, leading to a restatement.

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 "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

April 6, 2016



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, 2015. 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.

Basis for Qualified Opinion on Special Education Cluster

As described in finding 2015-001 in the accompanying schedule of findings, the District did not comply with requirements regarding Procurement and Suspension and Debarment applicable to its Special Education Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

Qualified Opinion on Special Education Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Special Education Cluster* paragraph, the Brooklyn City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Special Education Cluster for the year ended June 30, 2015.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the Brooklyn City School District complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended June 30, 2015.

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.

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

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's compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2015-001 to be a material weakness.

The District's response to our internal control over compliance finding is described in the accompanying schedule of findings and corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

Brooklyn City School District
Cuyahoga County
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
Page 3

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State
Columbus, Ohio

April 6, 2016

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**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified for all major programs except for the Special Education Cluster which was qualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	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 Education Agencies (Title I, Part A of the ESEA), CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None.

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2015-001
CFDA Title and Number	Special Education Cluster, CFDA #84.027 and #84.173
Federal Award Number / Year	2015
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Material Weakness, Material Noncompliance Finding – Procurement and Suspension and Debarment

7 CFR Section 3016.35 states that grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, “Debarment and Suspension”. 2 CFR Part 180 provides Office of Management and Budget (OMB) guidelines to agencies on government wide debarment and suspension. “Covered transactions” include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All nonprocurement transactions entered into by a recipient (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.

The District made payments with Special Education federal funds to a vendor which exceeded \$25,000. No documentation was maintained or provided to indicate the District applied methods to verify the vendor was not suspended or debarred, prior to disbursement.

The failure to maintain and provide evidence of the verification procedures places federal resources at risk from contractors engaged in dishonest or illegal conduct or are otherwise unable to satisfactorily perform their responsibilities.

We recommend the District implement procedures to maintain evidence of compliance with suspension and debarment requirements.

Official’s Response: The District acknowledges the finding and will work to correct this.

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2015**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2015-001	The District will develop and implement procedures to ensure that all vendors who may receive over \$25,000 in payments are checked against the "Excluded Parties List System."	June 30, 2016	Todd Hopkins, CFO

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Dave Yost • Auditor of State

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
MAY 10, 2016**