



Dave Yost • Auditor of State

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the 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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Brooklyn City School District, Cuyahoga County, Ohio, as of June 30, 2012, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2013, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

February 28, 2013

Brooklyn City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
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, 2012. 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 2012 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 2012, the School District continued to provide professional development for staff members as more technology is 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, operating grants, and contributions accounted for the remainder of all revenues.
- Overall expenses increased during fiscal year 2012 due to increased benefits and utility costs. Only \$1,924,320 of the School District's expenses was offset by program specific charges for services and sales, operating grants, contributions and interest. General revenues (primarily taxes and school foundation) of \$15,106,397 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 Assets 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 is the most significant fund.

Brooklyn City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Reporting the School District as a Whole

Statement of Net Assets 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 2012?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities 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 assets and changes in those assets. This change in net assets 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 Assets 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 8. 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 only major governmental fund is the general 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 Assets 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, 2012
Unaudited

The School District as a Whole

You may recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2012 compared to the prior fiscal year.

Table 1
Net Assets

	Governmental Activities		
	2012	2011	Change
Assets			
Current and Other Assets	\$18,217,333	\$17,930,258	\$287,075
Capital Assets, Net	3,224,635	3,351,776	(127,141)
Total Assets	<u>21,441,968</u>	<u>21,282,034</u>	<u>159,934</u>
Liabilities			
Current Liabilities	10,337,063	10,097,960	(239,103)
Long-Term Liabilities:			
Due Within One Year	179,121	208,155	29,034
Due in More than One Year	<u>1,065,191</u>	<u>1,007,577</u>	<u>(57,614)</u>
Total Liabilities	<u>11,581,375</u>	<u>11,313,692</u>	<u>(267,683)</u>
Net Assets			
Invested in Capital Assets	3,224,635	3,351,776	(127,141)
Restricted For:			
Capital Projects	97,888	44,209	53,679
Other Purposes	447,031	474,514	(27,483)
Unrestricted	<u>6,091,039</u>	<u>6,097,843</u>	<u>(6,804)</u>
Total Net Assets	<u><u>\$9,860,593</u></u>	<u><u>\$9,968,342</u></u>	<u><u>(\$107,749)</u></u>

Total net assets decreased compared to the prior fiscal year. The increase in current assets was due to increases in cash on hand and taxes receivables offset by a decrease in intergovernmental receivables as the result of less grant monies. These increases were offset by an increase in current and long-term liabilities. The increase in current liabilities is due to an increase in deferred revenue during fiscal year 2012. The increase in long term liabilities is due to an increase in compensated absences.

Management continues to diligently plan expenses, staying carefully within the School District's revenues in an effort to maintain the durations between its levy requests.

Brooklyn City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 2 shows the change in net assets for fiscal year 2012 for governmental activities compared to the prior fiscal year.

Table 2
 Changes in Net Assets
 Governmental Activities

	<u>2012</u>	<u>2011</u>	<u>Change</u>
Revenues			
Program Revenues:			
Charges for Services and Sales	\$637,463	\$716,976	(\$79,513)
Operating Grants and Contributions	1,286,857	1,460,348	(173,491)
<i>Total Program Revenues</i>	<u>1,924,320</u>	<u>2,177,324</u>	<u>(253,004)</u>
General Revenues:			
Property Taxes	10,660,939	11,398,960	(738,021)
Grant and Entitlements	3,988,113	4,543,423	(555,310)
Miscellaneous	457,345	310,036	147,309
<i>Total General Revenues</i>	<u>15,106,397</u>	<u>16,252,419</u>	<u>(1,146,022)</u>
Total Revenues	<u>17,030,717</u>	<u>18,429,743</u>	<u>(1,399,026)</u>
Program Expenses			
Instruction	9,801,731	9,730,428	(71,303)
Support Services:			
Pupil	1,769,239	1,647,776	(121,463)
Instructional Staff	157,100	118,158	(38,942)
Board of Education	38,774	38,511	(263)
Administration	1,514,952	1,534,206	19,254
Fiscal	682,798	722,418	39,620
Business	87,688	94,867	7,179
Operation and Maintenance of Plant	1,353,622	1,181,004	(172,618)
Pupil Transportation	335,735	344,044	8,309
Central	242,572	250,501	7,929
Operation of Non-Instructional Services:			
Food Service Operations	430,370	471,153	40,783
Other Non-Instructional Services	295,682	364,965	69,283
Extracurricular Activities	428,203	381,488	(46,715)
Total Program Expenses	<u>17,138,466</u>	<u>16,879,519</u>	<u>(258,947)</u>
Change in Net Assets	(107,749)	1,550,224	(1,657,973)
<i>Net Assets Beginning of Year</i>	<u>9,968,342</u>	<u>8,418,118</u>	<u>1,550,224</u>
<i>Net Assets End of Year</i>	<u>\$9,860,593</u>	<u>\$9,968,342</u>	<u>(\$107,749)</u>

Brooklyn City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Governmental Activities

Several revenue sources primarily fund the School District's governmental activities. Property tax revenues brought the largest portion of general revenues having generated \$10,660,939 in fiscal year 2012. 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 assets have provided for coverage of all expenses in governmental activities in past years.

Overall expenses increased over the prior fiscal year reflected increased costs mostly due to salary related fringe benefit growth and utility costs. Areas with budgetary growth included regular instruction, pupil and instructional staff support services due to changes in salary schedule because of increases in education credits as well as increases in healthcare costs. The operation and maintenance of plant expense increased mainly due to the School District doing upkeep on the buildings during fiscal year 2012.

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

Table 3
 Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Instruction	\$9,801,731	\$9,730,428	(\$9,262,155)	(\$9,012,931)
Support Services:				
Pupil	1,769,239	1,647,776	(1,495,716)	(1,260,434)
Instructional Staff	157,100	118,158	(155,407)	(110,660)
Board of Education	38,774	38,511	(38,326)	(38,511)
Administration	1,514,952	1,534,206	(1,417,440)	(1,502,203)
Fiscal	682,798	722,418	(674,917)	(722,418)
Business	87,688	94,867	(86,676)	(94,867)
Operation and Maintenance of Plant	1,353,622	1,181,004	(1,326,156)	(1,170,675)
Pupil Transportation	335,735	344,044	(315,301)	(335,378)
Central	242,572	250,501	(239,789)	(240,256)
Operation of Non-Instructional Services				
Food Service Operations	430,370	471,153	41,487	46,283
Other Non-Instructional Services	295,682	364,965	35,933	(20,172)
Extracurricular Activities	428,203	381,488	(279,683)	(239,973)
Total Expenses	<u>\$17,138,466</u>	<u>\$16,879,519</u>	<u>(\$15,214,146)</u>	<u>(\$14,702,195)</u>

The dependence upon general revenues for governmental activities is apparent. 62.20 percent of total expenses are supported through taxes. Program revenues support 11.23 percent of expenses. Grants and entitlements not restricted to specific programs, investments, and other miscellaneous type revenues support the remaining expenses.

Brooklyn City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The School District's Funds

Information regarding the School District's major funds starts on page 12. All governmental funds are accounted for using the modified accrual basis of accounting. The School District's only major fund is the general fund. All governmental funds had total revenues of \$17,729,013 and expenditures of \$16,982,745.

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 2012, the School District amended its general fund budget three times by the end of the fiscal year. Requests for budget changes are made by the Treasurer to reflect changes in projected revenues. With regard to the general fund, the final budgeted revenue was \$895,174 under actual revenues. The \$348,233 difference between the original and final budgeted amounts is due to conservative tax and intergovernmental revenue estimates at the beginning of the fiscal year. Actual expenditures and the final budgeted expenditures were the same at \$15,030,409. Final budget expenditures were \$577,845 more than the original budgeted expenditures. The School District monitors the budget on a monthly basis to keep it in line with current expenditures. The general fund balance increased by \$844,252, which was attributable to favorable budget variances in both revenues and expenditures.

Capital Assets and Debt Administration

Capital Assets

Table 4 details fiscal year 2012 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	
	2012	2011
Land	\$33,000	\$33,000
Buildings and Improvements	2,509,927	2,613,645
Furniture and Equipment	579,104	590,668
Vehicles	102,604	114,463
Total	\$3,224,635	\$3,351,776

All capital assets, except land, are reported net of depreciation. The decrease in capital assets was due to current year depreciation outpacing acquisitions of capital assets. Effective July 1, 2011, the textbooks set aside is no longer required and has been removed from the existing law. Therefore, for fiscal year 2012, 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 2012, this amounted to \$247,325. See Note 20 for additional set-aside information.

Brooklyn City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Debt

At June 30, 2012, the School District had no outstanding debt.

Current Financial Related Activities

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

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

The School District is faced with major decrease in revenue due to commercial property settlement reductions for the Plain Dealer Newspaper, which will reduce revenues by \$710,000 for fiscal year 2013. American Greetings, another major commercial tax payer, has not paid their tax obligation for tax year 2011. American Greetings's total property value has been reduced by \$7,000,000, which is being appealed. The devaluation of assessed valuation equates to a loss of \$114,569 of revenue on inside millage. Cuyahoga County changed property tax collection rate for the School District from 96.55 percent to 89.77 percent for fiscal year 2013. This decrease in property tax collection rate will further decrease future tax revenues for the School District.

During fiscal year 2012, employee benefits increased proportionally to salaries and staffing with a trend of 31 percent. Hospitalization costs increased by five percent due to increases in utilization and inflation.

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 Marti A. Ferian, Treasurer, at the Brooklyn City School District, 9200 Biddulph Road, Brooklyn, Ohio 44144, or marti.ferian@brooklyn.k12.oh.us.

Brooklyn City School District

Statement of Net Assets

June 30, 2012

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$4,806,580
Accounts Receivable	941
Intergovernmental Receivable	230,032
Prepaid Items	18,739
Materials and Supplies Inventory	13,528
Inventory Held for Resale	5,699
Property Taxes Receivable	13,141,814
Non-depreciable Capital Assets	33,000
Depreciable Capital Assets, Net	3,191,635
	<hr/>
<i>Total Assets</i>	21,441,968
	<hr/>
Liabilities	
Accounts Payable	57,878
Accrued Wages and Benefits	1,047,801
Intergovernmental Payable	390,255
Deferred Revenue	8,841,129
Long-Term Liabilities:	
Due Within One Year	179,121
Due In More Than One Year	1,065,191
	<hr/>
<i>Total Liabilities</i>	11,581,375
	<hr/>
Net Assets	
Invested in Capital Assets	3,224,635
Restricted for:	
Capital Projects	97,888
Special Trust	67,062
Latchkey "Kats"	59,894
Athletics and Music	55,237
Auxiliary Services	64,899
Set Asides	9,715
Other Purposes	174,868
Unclaimed Funds	15,356
Unrestricted	6,091,039
	<hr/>
<i>Total Net Assets</i>	\$9,860,593
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See accompanying notes to the basic financial statements

Brooklyn City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$7,203,878	\$80,037	\$164,811	(\$6,959,030)
Special	2,475,348	25,488	267,826	(2,182,034)
Vocational	122,505	1,414	0	(121,091)
Support Services:				
Pupil	1,769,239	0	273,523	(1,495,716)
Instructional Staff	157,100	1,693	0	(155,407)
Board of Education	38,774	448	0	(38,326)
Administration	1,514,952	16,518	80,994	(1,417,440)
Fiscal	682,798	7,881	0	(674,917)
Business	87,688	1,012	0	(86,676)
Operation and Maintenance of Plant	1,353,622	18,227	9,239	(1,326,156)
Pupil Transportation	335,735	20,434	0	(315,301)
Central	242,572	2,783	0	(239,789)
Operation of Non-Instructional Services:				
Food Service Operations	430,370	174,864	296,993	41,487
Other Non-Instructional Services	295,682	138,486	193,129	35,933
Extracurricular Activities	428,203	148,178	342	(279,683)
Totals	\$17,138,466	\$637,463	\$1,286,857	(15,214,146)
 General Revenues				
Property Taxes Levied for:				
General Purposes				10,548,754
Capital Projects				112,185
Grants and Entitlements not Restricted to Specific Programs				3,988,113
Miscellaneous				457,345
<i>Total General Revenues</i>				<u>15,106,397</u>
Change in Net Assets				(107,749)
<i>Net Assets Beginning of Year</i>				<u>9,968,342</u>
<i>Net Assets End of Year</i>				<u><u>\$9,860,593</u></u>

See accompanying notes to the basic financial statements

Brooklyn City School District

Balance Sheet

Governmental Funds

June 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$4,240,991	\$540,518	\$4,781,509
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	25,071	0	25,071
Accounts Receivable	941	0	941
Intergovernmental Receivable	0	230,032	230,032
Prepaid Items	17,939	800	18,739
Materials and Supplies Inventory	10,555	2,973	13,528
Inventory Held for Resale	0	5,699	5,699
Interfund Receivable	177,513	0	177,513
Property Taxes Receivable	13,069,917	71,897	13,141,814
<i>Total Assets</i>	<u>\$17,542,927</u>	<u>\$851,919</u>	<u>\$18,394,846</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$48,520	\$9,358	\$57,878
Accrued Wages and Benefits	1,011,590	36,211	1,047,801
Intergovernmental Payable	362,619	27,636	390,255
Interfund Payable	0	177,513	177,513
Deferred Revenue	11,438,613	290,964	11,729,577
<i>Total Liabilities</i>	<u>12,861,342</u>	<u>541,682</u>	<u>13,403,024</u>
Fund Balances			
Nonspendable	43,850	3,773	47,623
Restricted	9,715	471,188	480,903
Assigned	1,328,519	0	1,328,519
Unassigned (Deficit)	3,299,501	(164,724)	3,134,777
<i>Total Fund Balances</i>	<u>4,681,585</u>	<u>310,237</u>	<u>4,991,822</u>
 <i>Total Liabilities and Fund Balances</i>	 <u>\$17,542,927</u>	 <u>\$851,919</u>	 <u>\$18,394,846</u>

See accompanying notes to the basic financial statements

Brooklyn City School District
*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2012*

Total Governmental Fund Balances \$4,991,822

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

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. 3,224,635

Other long-term assets are not available to pay for current period
expenditures and therefore are deferred in the funds.

Property Taxes	2,658,758
Intergovernmental	<u>229,690</u>

Total 2,888,448

Long-term liabilities, such as compensated absences, are
not due and payable in the current period and therefore
are not reported in the funds. (1,244,312)

Net Assets of Governmental Activities \$9,860,593

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, 2012

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$10,571,755	\$112,425	\$10,684,180
Intergovernmental	3,981,957	1,950,117	5,932,074
Tuition and Fees	174,356	13,641	187,997
Extracurricular Activities	0	144,992	144,992
Contributions and Donations	7,591	10,360	17,951
Charges for Services	0	299,709	299,709
Rentals	4,765	0	4,765
Miscellaneous	379,191	78,154	457,345
<i>Total Revenues</i>	<u>15,119,615</u>	<u>2,609,398</u>	<u>17,729,013</u>
Expenditures			
Current:			
Instruction:			
Regular	6,926,473	171,925	7,098,398
Special	2,144,216	262,614	2,406,830
Vocational	121,585	0	121,585
Support Services:			
Pupil	1,440,688	327,710	1,768,398
Instructional Staff	146,719	10,381	157,100
Board of Education	38,774	0	38,774
Administration	1,443,599	81,200	1,524,799
Fiscal	690,504	0	690,504
Business	87,688	0	87,688
Operation and Maintenance of Plant	1,189,699	137,872	1,327,571
Pupil Transportation	320,210	0	320,210
Central	230,191	0	230,191
Operation of Non-Instructional Services:			
Food Service Operations	0	447,474	447,474
Other Non-Instructional Services	0	283,528	283,528
Extracurricular Activities	276,008	149,585	425,593
Capital Outlay	13,300	40,802	54,102
<i>Total Expenditures</i>	<u>15,069,654</u>	<u>1,913,091</u>	<u>16,982,745</u>
<i>Net Change in Fund Balances</i>	49,961	696,307	746,268
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>4,631,624</u>	<u>(386,070)</u>	<u>4,245,554</u>
<i>Fund Balances End of Year</i>	<u>\$4,681,585</u>	<u>\$310,237</u>	<u>\$4,991,822</u>

See accompanying notes to the basic financial statements

Brooklyn City School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2012*

Net Change in Fund Balances - Total Governmental Funds	\$746,268
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*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 depreciation exceeded capital outlay in the current period.

Capital Outlay	54,102	
Current Year Depreciation	(180,876)	
Total		(126,774)

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

(367)

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

Property Taxes	(23,241)	
Intergovernmental	(675,055)	
Total		(698,296)

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.

(28,580)

Change in Net Assets of Governmental Activities (\$107,749)

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, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$9,860,938	\$10,106,492	\$10,737,717	\$631,225
Intergovernmental	3,656,814	3,747,874	3,981,957	234,083
Tuition and Fees	113,754	116,586	123,868	7,282
Rentals	4,376	4,485	4,765	280
Miscellaneous	348,432	357,110	379,414	22,304
<i>Total Revenues</i>	<u>13,984,314</u>	<u>14,332,547</u>	<u>15,227,721</u>	<u>895,174</u>
Expenditures				
Current:				
Instruction:				
Regular	6,641,132	6,898,982	6,898,982	0
Special	2,048,348	2,130,245	2,130,245	0
Vocational	109,601	113,983	113,983	0
Support Services:				
Pupil	1,395,655	1,451,456	1,451,456	0
Instructional Staff	129,781	134,970	134,970	0
Board of Education	36,559	38,021	38,021	0
Administration	1,398,596	1,454,515	1,454,515	0
Fiscal	670,864	697,687	697,687	0
Business	88,043	91,563	91,563	0
Operation and Maintenance of Plant	1,158,638	1,202,430	1,202,430	0
Pupil Transportation	295,677	307,499	307,499	0
Central	221,316	230,165	230,165	0
Extracurricular Activities	255,382	265,593	265,593	0
Capital Outlay	2,972	13,300	13,300	0
<i>Total Expenditures</i>	<u>14,452,564</u>	<u>15,030,409</u>	<u>15,030,409</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(468,250)</u>	<u>(697,862)</u>	<u>197,312</u>	<u>895,174</u>
Other Financing Sources (Uses)				
Advances In	824,453	824,453	824,453	0
Advances Out	(177,513)	(177,513)	(177,513)	0
<i>Total Other Financing Sources (Uses)</i>	<u>646,940</u>	<u>646,940</u>	<u>646,940</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	178,690	(50,922)	844,252	895,174
<i>Fund Balance Beginning of Year</i>	<u>3,363,040</u>	<u>3,363,040</u>	<u>3,363,040</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$3,541,730</u>	<u>\$3,312,118</u>	<u>\$4,207,292</u>	<u>\$895,174</u>

See accompanying notes to the basic financial statements

Brooklyn City School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2012

Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$16,698</u></u>
Liabilities	
Due to Students	<u><u>\$16,698</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, 2012

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 8 full-time and 58 part-time classified personnel, 101 certified teaching personnel, 9 administrators, and 1 supervisor and 2 exempted employees who provide services to community members and 1,483 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. The School District does not have any 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 17 and 18 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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets 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 assets 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 assets 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 fund is presented in a separate column. 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 liabilities is reported as fund balance. The general fund is the School District's only major governmental fund:

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, 2012

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 assets and changes in net assets. 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 all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

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 current liabilities 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 revenue, 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.

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

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund, function and object level for the general fund and at the fund level for all other funds. The 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. Prior to year-end, the School District requested and received an amended certificate of estimated resources that closely reflects actual revenue for the fiscal year. 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

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. For fiscal year 2012, the School District did not receive any interest revenue.

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 or enabling legislation. Restricted assets on the balance sheet represent monies set aside for unclaimed monies and amounts required by State statute to be set aside for the acquisition or construction of capital assets. See Note 20 for additional information regarding set-asides.

Prepays

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are reported as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

Inventory

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

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 assets but are not reported in the fund financial statements.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 Lives</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 assets.

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 contractually required pension contributions 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.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are reported as restricted when there are limitations imposed by law on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net assets restricted for other purposes include resources restricted for wellness center, local grant programs and food service.

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

Fund Balance

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

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

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by highest level formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

Estimates

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

Note 3 – Change in Accounting Principles

For fiscal year 2012, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 64, “Derivative Instruments: Application of Hedge Accounting Termination Provisions – and amendment of GASB Statement No. 53” Fund Balance Reporting and Governmental Fund Type Definitions.” GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider.

This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the School District’s financial statements.

Note 4 – Fund Deficits

At June 30, 2012, the following funds had deficit fund balances:

	<u>Amounts</u>
<i>Special Revenue Funds:</i>	
Race to the Top	\$88,015
Title VI-B	39,851
Title I	18,961
Education Jobs	9,374
Limited English Proficiency	5,131
Classroom Size Reduction	1,855
Title II-D Technology	1,331
Miscellaneous Federal Grants	206

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, 2012

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 basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Unrecorded cash, which consists of unrecorded interest, is not reported by the School District on the budget basis operating statements, but is reported on the GAAP basis operating statements.
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Encumbrances are treated as expenditures (budget) rather than restricted, committed or assigned fund balance (GAAP).
6. Budgetary revenues and expenditures of the uniform school supplies, public school support and unclaimed funds 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	\$49,961
Net Adjustment for Revenue Accruals	177,134
Beginning Unrecorded Cash	1,571
Ending Unrecorded Cash	(1,618)
Advances In	824,453
Net Adjustment for Expenditure Accruals	(52,754)
Excess of revenues and other financing sources and under expenditures and other financing uses:	
Uniform School Supplies	24,447
Public School Support	(975)
Advances Out	(177,513)
Encumbrances	(454)
Budget Basis	\$844,252

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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, 2012

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 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, 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 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Cuyahoga County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 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, 2012 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 revenue.

The amount available as an advance at June 30, 2012, was \$1,627,932 in the general fund, and \$10,550 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2011, was \$1,662,611 in the general fund, and \$10,831 in the permanent improvement capital projects fund.

The late tax settlement made by the County for fiscal year 2012 was \$3,372 in the general fund, and \$73 in the permanent improvement capital projects fund. The late tax settlement made by the County for fiscal year 2011 was \$134,655 in the general fund, and \$2,915 in the permanent improvement capital projects fund. The difference was in the timing and collection by the County Fiscal Officer.

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 deferred.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

The assessed values upon which fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$314,171,426	94.89 %	\$316,311,420	94.90 %
Public Utility Personal	16,902,930	5.11	17,001,890	5.10
Total	<u>\$331,074,356</u>	<u>100.00 %</u>	<u>\$333,313,310</u>	<u>100.00 %</u>
 Tax rate per \$1,000 of assessed valuation			 \$47.00	 \$47.20

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
<i>Governmental Activities:</i>				
Land	\$33,000	\$0	\$0	\$33,000
<i>Capital Assets being Depreciated:</i>				
Buildings and Improvements	7,594,902	1,937	0	7,596,839
Furniture and Equipment	3,178,728	49,665	1,797	3,226,596
Vehicles	405,099	2,500	0	407,599
<i>Total Capital Assets being Depreciated</i>	<u>11,178,729</u>	<u>54,102</u>	<u>1,797</u>	<u>11,231,034</u>
<i>Less: Accumulated Depreciation:</i>				
Buildings and Improvements	(4,981,257)	(105,655)	0	(5,086,912)
Furniture and Equipment	(2,588,060)	(60,862)	(1,430)	(2,647,492)
Vehicles	(290,636)	(14,359)	0	(304,995)
<i>Total Accumulated Depreciation</i>	<u>(7,859,953)</u>	<u>(180,876)</u>	<u>(1,430)</u>	<u>(8,039,399)</u>
<i>Total Capital Assets being Depreciated, Net</i>	<u>3,318,776</u>	<u>(126,774)</u>	<u>367</u>	<u>3,191,635</u>
<i>Governmental Activities Capital Asset, Net</i>	<u>\$3,351,776</u>	<u>(\$126,774)</u>	<u>\$367</u>	<u>\$3,224,635</u>

Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$107,433
Special	592
Support Services:	
Administration	2,586
Operation and Maintenance of Plant	52,681
Pupil Transportation	6,803
Central	1,437
Food Service Operations	3,886
Non-Instructional Services	2,848
Extracurricular Activities	2,610
Total Depreciation Expense	<u>\$180,876</u>

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 9 - Receivables

Receivables at June 30, 2012, 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	\$78,881
Race to the Top	75,580
Title VI-B	52,862
Limited English Proficiency	10,059
Education Jobs	9,374
Classroom Size Reduction	1,733
Preschool	963
Educational Service Center Refund	342
Title II-D Technology	238
<i>Total Intergovernmental Receivables</i>	<i>\$230,032</i>

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 below:

Fund Balances	General	Other Governmental Funds	Total
<i>Nonspendable:</i>			
Inventory	\$10,555	\$2,973	\$13,528
Prepays	17,939	800	18,739
Unclaimed Funds	15,356	0	15,356
<i>Total Nonspendable</i>	<i>43,850</i>	<i>3,773</i>	<i>47,623</i>
<i>Restricted for:</i>			
Food Service Operations	0	96,070	96,070
College Scholarships	0	67,062	67,062
Wellness Center	0	902	902
Professional Development	0	35,345	35,345
Latchkey "Kats" Program	0	65,564	65,564
Technology Improvements	0	164	164
Athletics and Music	0	55,237	55,237
Auxiliary Services	0	64,899	64,899
Preschool	0	1,690	1,690

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Fund Balances	General	Other Governmental Funds	Total
<i>Restricted for (Continued):</i>			
Parent Mentor Grant	\$0	\$4,286	\$4,286
Capital Improvements	9,715	79,969	89,684
<i>Total Restricted</i>	9,715	471,188	480,903
<i>Assigned to:</i>			
Other Purposes	1,328,519	0	1,328,519
<i>Unassigned (Deficit)</i>	3,299,501	(164,724)	3,134,777
<i>Total Fund Balances</i>	\$4,681,585	\$310,237	\$4,991,822

Note 11 - Interfund Balances

Interfund balances at June 30, 2012, consist of the following individual fund receivables and payables:

Interfund Payable	Interfund Receivable General Fund
Other Governmental Funds	
Race to the Top	\$88,025
Title VI-B	39,857
Title I	30,244
Education Jobs	9,374
Limited English Proficiency	6,291
Title II-D Technology	1,813
Teacher Development	1,703
Miscellaneous Federal Grants	206
Total	\$177,513

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 2013.

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 McGowan Insurance Company for comprehensive property, inland marine coverage, crime coverage, general liability and automobile liability. The property insurance coverage was

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

\$61,267,515 with a \$1,000 deductible for fiscal year 2012. The inland marine coverage includes \$130,000 with a \$500 deductible for computer equipment and \$66,973 with a \$500 deductible for miscellaneous school property which included band uniforms, athletic equipment, cameras and audio-visual equipment, fine arts, signs and wellings under construction in vocational classes. Crime coverage was \$25,000 with a \$1,000 deductible for public employee dishonesty blanket bonds and forgery. General liability coverage was \$3,000,000 aggregate with no deductible and included violent event response coverage. Automobile liability coverage had a \$1,000,000 combined single limit of liability.

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

Bonding

The Treasurer is covered by Travelers Casualty in the amount of \$50,000. Remaining employees who handle money are covered with a public employees' blanket bond in the amount of \$25,000 with a \$1,000 deductible. These bonds are provided by the McGowan Insurance Company.

Workers' Compensation

For fiscal year 2012, the School District participated in the Ohio School Boards' Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Note 13 – Defined Benefit Pension Plans

School Employee Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board acting with the advices of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 percent of the 14 percent employer contributions

Brooklyn City School District
Notes to the Basic Financial Statements
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rate is allocated to the Health Care and Medicare B funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$259,619, \$236,266, and \$232,478, respectively. For fiscal year 2012, 52.72 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

State Teachers Retirement System

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

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions for pension obligations to STRS Ohio for DB Plan and for the defined benefit portion of Combined Plan were \$979,776 and \$28,444 for the fiscal year ended June 30, 2012, \$982,245 and \$27,765 for the fiscal year ended June 30, 2011, and \$969,913 and \$27,034 for the fiscal year ended June 30, 2010. For fiscal year 2012, 82.42 percent has been contributed for the DB Plan and the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

Brooklyn City School District
Notes to the Basic Financial Statements
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Contributions made to the STRS Ohio for DC and Combined Plans for fiscal year 2012 were \$42,511 made by the School District and \$30,365 made by the plan members.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2012, four members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

Note 14 - Post Employment Benefits

School Employee Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For the fiscal year ended June 30, 2012, 0.55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for the year ended June 30, 2012, this amount was \$35,800. During fiscal year 2012, the School District paid \$25,205 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$36,448, \$58,616, and \$35,654, respectively. For fiscal year 2012, 52.72 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For the fiscal year ended June 30, 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$15,332, \$15,204, and \$13,825, respectively. For fiscal year 2012, 52.72 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Brooklyn City School District
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State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the 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 2012, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School District’s contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$75,367, \$75,557, and \$74,609, respectively. For fiscal year 2012, 82.42 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2011 and 2010.

Note 15 - Other Employee Benefits

Compensated Absences

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

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

<u>Completed Service</u>	<u>Vacation Leave</u>
After one year	10 days
9 or more years	15 days
14 or more years	20 days
23 or more years	25 days

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.

Brooklyn City School District
Notes to the Basic Financial Statements
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Life Insurance Benefits

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

Health Insurance Benefits

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

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

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 16 - 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, 2012, if applicable, cannot be determined at this time.

Litigation

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

Note 17 - 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.

Brooklyn City School District
Notes to the Basic Financial Statements
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Note 18 - 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 2012. 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 161 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board 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 2012, 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 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Compass Energy has been selected as the new supplier and program manager for the period from October 1, 2010 through March 31, 2013. There are currently 147 participants in the program including the Brooklyn 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 Cuyahoga County Educational

Brooklyn City School District
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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 \$52,226 to NCC during fiscal year 2012. Financial information can be obtained by contacting the Treasurer of the fiscal agent at 5700 West Canal Road, Valley View, Ohio 44125.

Note 19 - Long-Term Obligations

The changes in the School District's long-term obligation during fiscal year 2012 were as follows:

	Balance 6/30/2011	Additions	Deletions	Balance 6/30/2012	Due In One Year
Governmental Activities:					
Compensated Absences	\$1,215,732	\$273,473	\$244,893	\$1,244,312	\$179,121

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

The School District's overall legal debt margin was \$29,998,198 with an unvoted debt margin of \$333,313 at June 30, 2012.

Note 20 - Set-Aside Calculations

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by 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.

	Capital Improvements
Set-aside Balance as of June 30, 2011	\$26,565
Current Year Set-aside Requirement	247,325
Permanent Improvement Levy Offset During the Fiscal Year	(115,548)
Qualifying Disbursements	(148,627)
Total	\$9,715
Set-aside Balance Carried Forward to Future Fiscal Years	\$9,715
Set-aside Balance as of June 30, 2012	\$9,715

The total reserve balance for the capital improvement set-aside at the end of the fiscal year was \$9,715.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 21 – Significant Commitments

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:

General fund	\$1,684
Nonmajor funds	<u>112,877</u>
Total	<u><u>\$114,561</u></u>

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**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR <i>Pass Through Grantor</i> 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>					
Nutrition Cluster:					
School Breakfast Program	10.553	\$ 49,776	\$0	\$ 49,776	\$0
National School Lunch Program	10.555	298,127	16,578	298,127	16,578
Total Nutrition Cluster		347,903	16,578	347,903	16,578
Total U.S. Department of Agriculture		347,903	16,578	347,903	16,578
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education</i>					
Special Education Cluster:					
Special Education - Grants to States (IDEA, Part B) - 2011	84.027	306,722	0	50,542	0
Special Education - Grants to States (IDEA, Part B) - 2012	84.027	262,881	0	302,587	0
ARRA - Special Education - Grants to States (IDEA, Part B) - 2011	84.391	184,227	0	49,932	0
Total Special Education Grants to States		753,830	0	403,061	0
Special Education - Preschool Grants (IDEA Preschool) - 2012	84.173	9,418	0	-	0
ARRA - Special Education - Preschool Grants (IDEA Preschool) - 2011	84.392	10,381	0	10,381	0
ARRA - Special Education - Preschool Grants (IDEA Preschool) - 2011	84.392	1,600	0	-	0
Total Special Education - Preschool Grants		21,399	0	10,381	0
Total Special Education Cluster:		775,229	0	413,442	0
Title I, Part A Cluster:					
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA) - 2011	84.010	229,703	0	33,691	0
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA) - 2012	84.010	165,121	0	195,365	0
ARRA - Title I Grants to Local Educational Agencies, Recovery Act - 2011	84.389	77,204	0	12,157	0
Total Title I, Part A Cluster		472,028	0	241,213	0
Title II-D Technology Literacy Challenge Funds - 2011	84.318	1,083	0	1,018	0
Title II-D Technology Literacy Challenge Funds - 2012	84.318	-	0	1,331	0
Total Title II-D Technology Literacy Challenge Funds		1,083	0	2,349	0
English Language Acquisition Grants - 2011	84.365	10,148	0	5,244	0
English Language Acquisition Grants - 2012	84.365	2,903	0	7,045	0
Total English Language Acquisition Grants		13,051	0	12,289	0
Improving Teacher Quality State Grants - 2011	84.367	46,183	0	3,343	0
Improving Teacher Quality State Grants - 2012	84.367	39,313	0	41,016	0
Total Improving Teacher Quality State Grants		85,496	0	44,359	0
Safe and Drug-Free Schools and Communities - State Grants - 2012	84.186	74,999	0	74,999	0
ARRA - Race to the Top - 2011	84.395	2,725	0	22	0
ARRA - Race to the Top - 2012	84.395	-	0	62,821	0
ARRA - AVID - RACE TO THE TOP - 2012	84.395	2,500	0	24,446	0
ARRA - AP VIRTUAL - RACE TO THE TOP - 2012	84.395	-	0	3,099	0
Total Race to the Top Cluster		5,225	0	90,388	0
Education Jobs Fund - 2011	84.410	10,130	0	10,130	0
Education Jobs Fund - 2012	84.410	-	0	9,374	0
Total Education Jobs Fund Grants		10,130	0	19,504	0
Total U.S. Department of Education		1,437,241	0	898,543	0
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
<i>Passed Through Ohio Department of Education</i>					
Cooperative Agreements to Support Comprehensive School Health Program-2011	93.310	9,929	0	9,928	0
Cooperative Agreements to Support Comprehensive School Health Program-2012	93.310	-	0	206	0
Total Cooperative Agreements to Support Comprehensive School Health Programs		9,929	0	10,134	0
Total U.S. Department of Health and Human Services		9,929	0	10,134	0
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES		1,795,073	16,578	1,256,580	16,578

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, 2012**

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



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INDEPENDENT ACCOUNTANTS' 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 the financial statements of the governmental activities, the 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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 28, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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, providing an opinion 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*.

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 28, 2013.

We intend this report solely for the information and use of management, the audit committee, the Board of Education, and federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

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

February 28, 2013



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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE 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:

Compliance

We have audited the compliance of the Brooklyn City School District, Cuyahoga County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Brooklyn City School District's major federal program for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to the major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to 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 that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, the Brooklyn City School District, Cuyahoga County, Ohio, complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated February 28, 2013.

We intend this report solely for the information and use of the audit committee, management, Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

February 28, 2013

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster: National School Lunch Program – CFDA #10.555 National School Breakfast Program – CFDA #10.553
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Ohio Rev. Code Section 9.38, Timely Depositing – Latchkey receipts were not deposited in a timely manner.	No	Reissued in the Management Letter



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BROOKLYN CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 19, 2013**