



**BROOKLYN CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2005**



**Auditor of State  
Betty Montgomery**



**BROOKLYN CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

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## Auditor of State Betty Montgomery

### 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, 2005, 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, 2005, 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.

As described in Note 3 to the basic financial statements, the District implemented GASB Statement Nos. 39, 40, 46, and Technical Bulletin 2004-2 and restated the Net Assets of the Governmental Activities as of June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2006, on our consideration of the Government'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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards receipts and expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards receipts and expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Betty Montgomery**  
Auditor of State

May 11, 2006

**Brooklyn City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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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, 2005. 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 notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2005 are as follows:

- Total assets for fiscal year 2005 decreased \$1,256,656 from total assets for fiscal year 2004. This decrease was mainly due a significant decrease in cash available at fiscal year-end. Total liabilities for fiscal year 2005 increased by \$160,322 from fiscal year 2004.
- In total, net assets decreased \$1,416,978 or 14.84 percent from fiscal year 2004. This decrease was mainly in unrestricted net assets of governmental activities, a decrease of \$2,166,717 over fiscal year 2004.
- Total revenues were \$14,264,031 for fiscal year 2005. General revenues accounted for \$12,021,078 or 84.28 percent of all revenues, with tax revenues representing 83.79 percent of those revenues. Specific program revenues in the form of charges for services and sales, operating and capital grants and contributions accounted for \$2,242,953 or 15.72 percent of all revenues.
- The School District had \$15,681,009 in expenses related to governmental activities; only \$2,242,953 of these expenses was offset by program specific charges for services, sales, operating and capital grants and contributions. General revenues (primarily taxes supplemented by grants and entitlements) of \$12,021,078 were not adequate to provide for these programs.
- The balance in the School District's governmental funds decreased by \$2,365,744 from the prior fiscal year.

**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 Brooklyn City School District, the general fund is by far the most significant fund.

**Brooklyn City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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## **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 2005?" 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 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, extracurricular activities and interest and fiscal charges.

## **Reporting the School District's Most Significant Funds**

### *Fund Financial Statements*

The analysis of the School District's major funds begins on page 14. 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.



**Brooklyn City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*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 2005 compared to the prior year:

**Brooklyn CSD**  
**Table 1**  
**Net Assets**

	Governmental Activities	
	2005	2004
<b>Assets</b>		
Current and Other Assets	\$16,316,247	\$17,759,608
Capital Assets, Net	3,500,979	\$3,314,274
<i>Total Assets</i>	19,817,226	21,073,882
<b>Liabilities</b>		
Current Liabilities	10,903,871	10,177,352
Long-Term Liabilities:		
Due Within One Year	345,480	925,430
Due in More than One Year	437,080	423,327
<i>Total Liabilities</i>	11,686,431	11,526,109
<b>Net Assets</b>		
Invested in Capital Assets	3,500,979	2,774,274
Restricted For:		
Capital Projects	79,060	146,283
Other Purposes	399,209	308,952
Unrestricted	4,151,547	6,318,264
<i>Total Net Assets</i>	\$8,130,795	\$9,547,773

The net decrease in total assets of \$1,256,656 was mainly due to a decrease in cash of \$1,467,414. Cash decreased because the School District did not renew the 3.8 mill levy that ended December 31, 2003. This levy usually generated about \$1.6 million annually.

Total liabilities increased by \$160,322. The increase is due mainly to an increase in deferred revenue of \$714,639 which occurred because of the decrease in the amount available for advance which is part of the taxes receivable calculation and because of a change in the timing of federal grants.

**Brooklyn City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

Table 2 shows the change in net assets for fiscal year 2005 for Governmental Activities compared to the prior year.

**Table 2**  
**Governmental Activities**

	2005	2004
<i>Program Revenues</i>		
Charges for Services	\$715,578	\$671,009
Operating Grants and Contributions	1,516,980	1,358,093
Capital Grants	10,395	0
<b>Total Program Revenues</b>	<b>2,242,953</b>	<b>2,029,102</b>
<i>General Revenues</i>		
Property Taxes	10,072,648	11,744,510
Grants and Entitlements	1,747,393	2,079,215
Investment Earnings	118,966	54,721
Miscellaneous	82,071	128,123
<b>Total General Revenues</b>	<b>12,021,078</b>	<b>14,006,569</b>
<b>Total Revenues</b>	<b>14,264,031</b>	<b>16,035,671</b>
<i>Program Expenses</i>		
Instruction	8,703,903	7,562,755
Support Services		
Pupil	1,096,876	1,057,180
Instructional Staff	301,906	295,008
Board of Education	44,239	63,850
Administration	1,561,686	1,464,944
Fiscal	511,821	651,457
Business	128,709	158,578
Operation and Maintenance of Plant	1,307,821	1,297,235
Pupil Transportation	438,177	382,098
Central	258,506	261,168
Operation of Non-Instructional Services		
Food Services	392,068	361,503
Other Non-Instructional Services	423,553	370,417
Extracurricular Activities	508,524	459,803
Interest and Fiscal Charges	3,220	31,920
<b>Total Program Expenses</b>	<b>15,681,009</b>	<b>14,417,916</b>
Increase (Decrease) in Net Assets	(1,416,978)	1,617,755
<i>Net Assets Beginning of Year</i>	9,547,773	7,930,018
<i>Net Assets End of Year</i>	\$8,130,795	\$9,547,773

**Brooklyn City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

**Governmental Activities**

Several revenue sources primarily fund the School District's governmental activities. Property taxes account for the largest portion of general revenues having generated \$10,072,648 in fiscal year 2005. The last increase in levied property tax authorized by the citizens of the School District was November 2000. The School District opted not to renew the 3.8 mill levy that ended on December 31, 2003. This created a loss of tax revenues of \$1,671,862 compared to fiscal year 2004. Program and general revenues from operating grants, capital grants and entitlements, such as the school foundation program, is the next largest source of revenue, having generated \$3,274,768 in fiscal year 2005. Through additional State support, the School District received \$507,805 as a direct result of Senate Bill 3 and \$913,151 in homestead and rollback. The combination of taxes and intergovernmental funding have provided for coverage of all expenses in governmental activities in past years. The School District monitors both of these revenue sources closely for fluctuations that would impact upon its activities.

Instruction expenses comprise 55.2 percent of governmental program expenses. Building operations, administration, pupil support, staff support, food service, extracurricular activities and interest and fiscal charges make up the remaining 44.8 percent of governmental program expenses. The Board believes that the main focus of the School District should be to provide the best instruction to its pupils as possible and therefore a majority of the expenses of the School District are in the area of instruction, which increased \$1,274,545 over fiscal year 2004 mainly due to increases in salaries and related benefits as well as increases in instructional materials purchased.

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

**Brooklyn CSD**

**Table 3**

**Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2005	2004	2005	2004
Instruction	\$8,703,903	\$7,429,358	(\$7,688,733)	(\$6,528,998)
Support Services:				
Pupil	1,096,876	1,057,180	(777,771)	(874,510)
Instructional Staff	301,906	295,008	(240,288)	(229,266)
Board of Education	44,239	63,850	(44,239)	(63,850)
Administration	1,561,686	1,464,944	(1,559,926)	(1,463,268)
Fiscal	511,821	651,457	(511,821)	(651,457)
Business	128,709	158,578	(128,709)	(158,578)
Operation and Maintenance of Plant	1,307,821	774,129	(1,267,219)	(752,399)
Pupil Transportation	438,177	353,197	(430,122)	(346,459)
Central	258,506	261,168	(253,506)	(256,151)
Operation of Non-Instructional Services				
Food Service	392,068	361,503	(50,489)	(34)
Other Non-Instructional Services	423,553	370,417	(99,693)	13,257
Extracurricular Activities	508,524	459,803	(382,320)	(359,777)
Interest and Fiscal Charges	3,220	31,920	(3,220)	(31,920)
Total Expenses	<u>\$15,681,009</u>	<u>\$13,732,512</u>	<u>(\$13,438,056)</u>	<u>(\$11,703,410)</u>

**Brooklyn City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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The dependence upon general revenues for governmental activities is apparent. Over 64.0 percent of total expenses are supported through taxes. State support or program revenues support 14.2 percent of expenses. Grants and entitlements not restricted to specific programs, investments, other miscellaneous type revenues support 12.4 percent. The remaining 9.4 percent came from the carryover cash balance.

**The School District's Funds**

Information regarding the School District's major funds starts on page 14. This fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$14,305,846 and expenditures of \$16,671,590. The net change in governmental fund balance for the year was a decrease of \$2,365,744. The general fund fiscal year-end fund balance decreased by \$2,243,090 and other governmental funds decreased by \$122,654.

**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 2005, the School District amended its general fund budget seven times by the end of the fiscal year. Requests for budget changes are made by the Treasurer to reflect changes in projected revenues. The following changes were noted; a decrease in property tax collections from the original county's estimate due to changes in amounts to be received with the levy not being renewed and a decrease in grants due to less federal funding. With regard to the general fund, final budgeted revenue of \$13,240,132 was \$10,054,479 below original budget estimates of \$23,294,611. The original certificate of estimated resources from the County Auditor had other resources (those amounts related to revenues other than taxes) of \$13,169,051, which was corrected to \$1,577,000, making the final budget \$12,809,733 over the corrected original revenue estimate. After the correction, the difference between the original and final budgeted amounts is due to higher anticipated tax and intergovernmental revenues at the beginning of the fiscal year. The final budgeted revenues were only \$62,812 higher than actual revenues received. Original budgeted expenditures were \$575,594 higher than final budgeted expenditures. Final expenditures were \$626,784 over actual expenditures. The School District monitors the budget on a monthly basis to keep it in line with current expenditures. The School District's non-obligated portion of its fund balance at the end of the year was \$4,040,536.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2005, the School District had \$3,500,979 invested in land, buildings and improvements, furniture and equipment, vehicles and textbooks. Table 4 details fiscal year 2005 balances compared to prior years. More detailed information is presented in Note 9 of the notes to the basic financial statements.

**Brooklyn City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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

	Governmental Activities	
	2005	2004 *
Land	\$33,000	\$33,000
Buildings and Improvements	2,928,910	2,742,537
Furniture and Equipment	442,289	413,267
Vehicles	79,597	96,831
Textbooks	17,183	28,639
Totals	\$3,500,979	\$3,314,274

\* Restated.

All capital assets, except land, are reported net of depreciation. The primary source of the increase in capital assets occurred due to site improvements made. There were additional increases in buildings and improvements and furniture and equipment for assets purchased during the year, but they were offset by the current year's depreciation expense.

For fiscal year 2005, Ohio law required school districts to expend or otherwise reserve three percent of qualifying revenues for the purpose of capital improvements and an additional three percent for textbooks and instructional materials. For fiscal year 2005, this amounted to \$195,538 for each purpose. The School District had qualifying disbursements exceeding these requirements. See Note 18 for additional set-aside information.

**Debt**

At June 30, 2005, the School District had retired the energy conservation loan. Table 5 summarizes the School District's loan history. A more detailed presentation is included in Note 14 of the notes to the basic financial statements.

**Table 5**  
Outstanding Debt at Year End

	Governmental Activities	
	2005	2004
Energy Conservation Loan	\$0	\$540,000

In 1994, the School District issued a \$4,249,000 Energy Conservation Improvement Loan for the purpose of paying costs of installations, modifications, and remodeling of school buildings in order to conserve energy. The final loan payment was made in August of 2004.

**Brooklyn City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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### **Current Financial Related Activities**

Brooklyn City School District, like many school districts, will be faced with some financial uncertainty due to economic times and a decrease in assessment rate upon both the inventory component of personal property tax valuation and public utility personal property. The School District continues to take a proactive approach to these uncertainties by: controlling expenditures through labor negotiations, changing healthcare benefits (increasing prescription drug deductible, new employees contribution increased to fifteen percent and creating an opt out program for thirty percent of health premium) and outsourcing payroll.

The School District has not requested an increase in voter-approved taxes for operating needs since 2000. The School District is anticipating future deficits based on the passage of the State's biennium budget bill (House Bill 66), which eliminates personal tangible tax and eliminates the ability for the School District to generate comparable revenue from other sources, i.e. shared municipal income tax. Assessed valuation for fiscal year 2005 was \$386,486,810 and will begin to decrease for fiscal year 2006 to reflect the erosion of the tax base. The School District is currently educating the community and staff on the negative impact of H.B. 66 and future funding issues.

Brooklyn City School District has maintained current level State revenue support over the past few years. The School District is a "guarantee school district". A "guarantee school district" is a designation for the calculation in determining State revenue support. When a School District has high assessed valuation compared with their ADM, the State revenue support is not determined by a dollar amount by pupil. Instead the State revenue support is a set amount of funding that does not change as a result of enrollment.

In conclusion, Brooklyn City School District has committed itself 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@lnoca.org](mailto:marti.ferian@lnoca.org).

**Brooklyn City School District***Statement of Net Assets**June 30, 2005*

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$4,895,080
Accounts Receivable	2,380
Intergovernmental Receivable	98,068
Prepaid Items	40,032
Materials and Supplies Inventory	25,196
Inventory Held for Resale	3,589
Taxes Receivable	11,251,902
Nondepreciable Capital Assets	33,000
Depreciable Capital Assets, Net	3,467,979
	<hr/>
<i>Total Assets</i>	19,817,226
	<hr/>
<b>Liabilities</b>	
Accounts Payable	101,930
Accrued Wages and Benefits	1,179,096
Intergovernmental Payable	368,382
Early Retirement Incentive Payable	33,200
Deferred Revenue	9,221,263
Long-Term Liabilities:	
Due Within One Year	345,480
Due In More Than One Year	437,080
	<hr/>
<i>Total Liabilities</i>	11,686,431
	<hr/>
<b>Net Assets</b>	
Invested in Capital Assets	3,500,979
Restricted for:	
Capital Projects	79,060
Other Purposes	399,209
Unrestricted	4,151,547
	<hr/>
<i>Total Net Assets</i>	\$8,130,795
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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, 2005

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions		
<b>Governmental Activities</b>					
Instruction:					
Regular	\$6,961,065	\$258,408	\$62,846	\$0	(\$6,639,811)
Special	1,649,636	14,394	677,163	0	(958,079)
Vocational	93,202	2,359	0	0	(90,843)
Support Services:					
Pupil	1,096,876	244	318,861	0	(777,771)
Instructional Staff	301,906	0	61,618	0	(240,288)
Board of Education	44,239	0	0	0	(44,239)
Administration	1,561,686	0	1,760	0	(1,559,926)
Fiscal	511,821	0	0	0	(511,821)
Business	128,709	0	0	0	(128,709)
Operation and Maintenance of Plant	1,307,821	14,067	16,140	10,395	(1,267,219)
Pupil Transportation	438,177	8,055	0	0	(430,122)
Central	258,506	0	5,000	0	(253,506)
Operation of Non-Instructional Services:					
Food Service Operations	392,068	210,831	130,748	0	(50,489)
Other Non-Instructional Services	423,553	82,793	241,067	0	(99,693)
Extracurricular Activities	508,524	124,427	1,777	0	(382,320)
Interest and Fiscal Charges	3,220	0	0	0	(3,220)
<b>Totals</b>	<b>\$15,681,009</b>	<b>\$715,578</b>	<b>\$1,516,980</b>	<b>\$10,395</b>	<b>(13,438,056)</b>

**General Revenues**

Property Taxes Levied for:

    General Purposes

9,896,334

    Capital Projects

176,314

Grants and Entitlements not Restricted to Specific Programs

1,747,393

Investment Earnings

118,966

Miscellaneous

82,071

*Total General Revenues*

12,021,078

Change in Net Assets

(1,416,978)

*Net Assets Beginning of Year - Restated (See Note 3)*

9,547,773

*Net Assets End of Year*

\$8,130,795

See accompanying notes to the basic financial statements



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**Brooklyn City School District***Balance Sheet**Governmental Funds**June 30, 2005*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$4,265,417	\$629,663	\$4,895,080
Accounts Receivable	0	2,380	2,380
Intergovernmental Receivable	0	98,068	98,068
Prepaid Items	40,032	0	40,032
Materials and Supplies Inventory	22,495	2,701	25,196
Inventory Held for Resale	0	3,589	3,589
Interfund Receivable	177,746	0	177,746
Taxes Receivable	11,062,342	189,560	11,251,902
<i>Total Assets</i>	<u>\$15,568,032</u>	<u>\$925,961</u>	<u>\$16,493,993</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$29,726	\$72,204	\$101,930
Accrued Wages and Benefits	1,142,950	36,146	1,179,096
Intergovernmental Payable	315,643	52,739	368,382
Early Retirement Incentive Payable	33,200	0	33,200
Interfund Payable	0	177,746	177,746
Deferred Revenue	9,434,467	212,043	9,646,510
<i>Total Liabilities</i>	<u>10,955,986</u>	<u>550,878</u>	<u>11,506,864</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	439,708	54,823	494,531
Reserved for Property Taxes	967,202	19,739	986,941
Reserved for Bus Purchases	3,634	0	3,634
Unreserved, Undesignated			
Reported in:			
General Fund	3,201,502	0	3,201,502
Special Revenue Funds	0	267,990	267,990
Capital Projects Funds	0	32,531	32,531
<i>Total Fund Balances</i>	<u>4,612,046</u>	<u>375,083</u>	<u>4,987,129</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$15,568,032</u>	<u>\$925,961</u>	<u>\$16,493,993</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, 2005*

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<b>Total Governmental Fund Balances</b>		\$4,987,129
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		3,500,979
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds:		
Delinquent Property Taxes	365,865	
Grants	<u>59,382</u>	
Total		425,247
Long-term liabilities such as compensated absences are not due and payable in the current period and therefore are not reported in the funds.		<u>(782,560)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$8,130,795</u></u>

**Brooklyn City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2005*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$9,996,531	\$177,009	\$10,173,540
Intergovernmental	2,260,959	950,018	3,210,977
Interest	115,822	3,144	118,966
Tuition and Fees	219,737	53,329	273,066
Extracurricular Activities	0	111,555	111,555
Contributions and Donations	0	5,220	5,220
Charges for Services	0	298,276	298,276
Rentals	13,767	300	14,067
Miscellaneous	58,475	41,704	100,179
<i>Total Revenues</i>	<u>12,665,291</u>	<u>1,640,555</u>	<u>14,305,846</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	6,689,289	179,493	6,868,782
Special	1,534,554	118,356	1,652,910
Vocational	91,001	3,096	94,097
Support Services:			
Pupil	999,807	147,696	1,147,503
Instructional Staff	243,454	70,889	314,343
Board of Education	44,659	0	44,659
Administration	1,590,182	2,080	1,592,262
Fiscal	526,869	0	526,869
Business	137,508	0	137,508
Operation and Maintenance of Plant	1,420,595	5,705	1,426,300
Pupil Transportation	428,673	0	428,673
Central	260,461	6,794	267,255
Operation of Non-Instructional Services			
Food Service Operations	0	419,793	419,793
Other Non-Instructional Services	0	422,525	422,525
Extracurricular Activities	384,275	122,618	506,893
Capital Outlay	1,784	264,314	266,098
Debt Service:			
Principal Retirement	540,000	0	540,000
Interest and Fiscal Charges	15,120	0	15,120
<i>Total Expenditures</i>	<u>14,908,231</u>	<u>1,763,359</u>	<u>16,671,590</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(2,242,940)</u>	<u>(122,804)</u>	<u>(2,365,744)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	0	150	150
Transfers Out	(150)	0	(150)
<i>Total Other Financing Sources (Uses)</i>	<u>(150)</u>	<u>150</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(2,243,090)	(122,654)	(2,365,744)
<i>Fund Balances Beginning of Year</i>	<u>6,855,136</u>	<u>497,737</u>	<u>7,352,873</u>
<i>Fund Balances End of Year</i>	<u>\$4,612,046</u>	<u>\$375,083</u>	<u>\$4,987,129</u>

See accompanying notes to the basic financial statements

**Brooklyn City School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2005*

**Net Change in Fund Balances - Total Governmental Funds** (\$2,365,744)

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

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

Capital Asset Additions	376,582	
Current Year Depreciation	(189,877)	
Total		186,705

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

Delinquent Property Taxes	(100,892)	
Grants	59,077	
Total		(41,815)

Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 540,000

In the statement of activities, interest is accrued on outstanding loans, whereas in governmental funds, an interest expenditure is reported when due. 11,900

Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payable which represent contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	26,197	
Pension Obligation	225,779	
Total		251,976

*Change in Net Assets of Governmental Activities* (\$1,416,978)

**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, 2005*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Taxes	\$15,640,993	\$10,586,516	\$10,634,186	\$47,670
Intergovernmental	7,260,959	2,260,959	2,260,959	0
Interest	104,737	104,737	115,822	11,085
Tuition and Fees	218,983	218,981	219,737	756
Rentals	13,767	13,767	13,767	0
Miscellaneous	55,172	55,172	58,473	3,301
<i>Total Revenues</i>	<u>23,294,611</u>	<u>13,240,132</u>	<u>13,302,944</u>	<u>62,812</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	6,997,607	6,757,502	6,668,298	89,204
Special	2,192,309	1,781,868	1,772,799	9,069
Vocational	100,834	96,586	88,788	7,798
Support Services:				
Pupil	998,339	993,495	936,807	56,688
Instructional Staff	221,896	245,562	234,059	11,503
Board of Education	57,510	63,039	41,281	21,758
Administration	1,615,019	1,571,441	1,529,143	42,298
Fiscal	652,310	583,022	543,035	39,987
Business	176,527	176,527	149,379	27,148
Operation and Maintenance of Plant	1,541,404	1,654,472	1,402,688	251,784
Pupil Transportation	437,118	448,749	407,028	41,721
Central	283,620	283,138	256,342	26,796
Extracurricular Activities	346,540	389,198	388,384	814
Capital Outlay	2,000	2,000	1,784	216
Debt Service:				
Principal Retirement	540,000	540,000	540,000	0
Interest and Fiscal Charges	14,280	15,120	15,120	0
<i>Total Expenditures</i>	<u>16,177,313</u>	<u>15,601,719</u>	<u>14,974,935</u>	<u>626,784</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>7,117,298</u>	<u>(2,361,587)</u>	<u>(1,671,991)</u>	<u>689,596</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	19,713	19,713	19,713	0
Transfers Out	0	(150)	(150)	0
Advances Out	0	(177,746)	(177,746)	0
<i>Total Other Financing Sources (Uses)</i>	<u>19,713</u>	<u>(158,183)</u>	<u>(158,183)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	7,137,011	(2,519,770)	(1,830,174)	689,596
<i>Fund Balance Beginning of Year</i>	5,560,949	5,560,949	5,560,949	0
Prior Year Encumbrances Appropriated	309,761	309,761	309,761	0
<i>Fund Balance End of Year</i>	<u>\$13,007,721</u>	<u>\$3,350,940</u>	<u>\$4,040,536</u>	<u>\$689,596</u>

See accompanying notes to the basic financial statements

**Brooklyn City School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Fund*  
*June 30, 2005*

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**Assets**

Equity in Pooled Cash and Cash Equivalents	<u><u>\$24,237</u></u>
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**Liabilities**

Due to Students	<u><u>\$24,237</u></u>
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See accompanying notes to the basic financial statements

**Brooklyn City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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**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 two elementary schools, a middle school and a high school, staffed by 68 non-certified, 108 certified teaching personnel, 9 administrators and 4 exempted employees, who provide services to community members and 1,380 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. This activity is reflected in a special revenue fund for financial reporting purposes.

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 three jointly governed organizations and one insurance purchasing pool. These organizations are the Polaris Career Center, Ohio Schools Council, Lakeshore Northeast Ohio Computer Association and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 15 and 16 of the basic financial statements.



**Brooklyn City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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**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.

**A. 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.

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. Each 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.

**B. 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.

**Brooklyn City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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**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 for all financial resources except those required to be accounted for in another fund.

The other governmental funds of the School District account for grants and other resources whose use is restricted 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.

**C. 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.

**D. 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.

**Brooklyn City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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**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 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, 2005, but which were levied to finance fiscal year 2006 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.

**Brooklyn City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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***E. 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 but the general fund.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that were in effect at the time the final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated resources by fund. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

***F. 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.

During fiscal year 2005, investments were limited to a Mutual Fund Investment Sweep Account, which is reported at fair value based on the current share price.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$115,822 which includes \$12,670 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

**Brooklyn City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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***G. Prepaids***

Payments made to vendors for services that will benefit periods beyond June 30, 2005, 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.

***H. 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.

***I. 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.

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
Textbooks	5-15 years

***J. Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans and interfund services provided and used are classified as "interfund receivables/payables." Interfund balances are eliminated in the governmental activities column of the statement of net assets.

**Brooklyn City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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***K. 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.

***L. 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.

***M. 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.

The government-wide statement of net assets reports \$478,269 of restricted net assets, of which \$65,178 is restricted by enabling legislation.

Net assets restricted for other purposes include resources restricted for food service, uniform school supplies, latchkey programs and student activities.

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

**Brooklyn City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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***N. Interfund Activity***

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

***O. Fund Balance Reserves***

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, bus purchases and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

***P. 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. There were no extraordinary or special items.

***Q. 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 – Changes in Accounting Principles and Restatement of Prior Year Net Assets**

For 2005, the School District has implemented GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units”, GASB Statement No. 40, “Deposit and Investment Risk Disclosures,” GASB Statement No. 46, “Net Assets Restricted by Enabling Legislation” and GASB Technical Bulletin No. 2004-2, “Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers.”

GASB Statement No. 39 states that entities for which a primary organization is not financially accountable may still be reported as a component unit based on the nature and significance of their relationship with the primary government.

GASB Statement No. 40 establishes disclosure requirements for investment credit risk, interest rate risk, deposit custodial risk and foreign currency risk.

**Brooklyn City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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GASB Statement No. 46 clarifies when net assets should be reported as restricted based upon enabling legislation.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 39, GASB Statement No. 40, GASB Statement No. 46 and GASB Technical Bulletin No. 2004-2 did not materially affect the presentation of the financial statements of the School District.

At June 30, 2004, net assets for governmental activities were restated due to an adjustment to land capital assets and a change in the capitalization threshold of capital assets. These adjustments had the following effect on net assets.

Net Assets at June 30, 2004	\$10,207,969
Adjustment to Land Capital Assets	(731,026)
Adjustment to Buildings and Improvements	160,884
Change in Capitalization Threshold	(90,054)
Restated Net Assets at June 30, 2004	\$9,547,773

**Note 4 - Compliance**

***A. Accountability***

At June 30, 2005, the following special revenue funds had deficit fund balances:

	Amount
Food Service	\$31,660
Title I	3,393
Title IIA	5,424

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



**Brooklyn City School District**  
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**B. Legal Compliance**

Contrary to Section 5705.39, Ohio Revised Code, the following funds had original appropriations in excess of original estimated resources plus carryover balance for the fiscal year 2005:

	Estimated Revenues Plus Carryover Balance	Appropriations	Excess
<i>Special Revenue Funds:</i>			
Food Service	\$335,369	\$350,000	\$14,631
Uniform School Supplies	89,223	104,312	15,089
Public School Support	41,126	42,386	1,260
Latchkey	168,212	180,017	11,805
Athletics and Music	74,763	100,463	25,700
Entry Year Programs	0	6,600	6,600
Data Communications	1,402	13,402	12,000
Student Intervention	6,148	21,774	15,626
Title VI-B	244,050	309,374	65,324
Preschool Grant	9,014	12,108	3,094

Although the budgetary violations were not corrected by fiscal year-end, management has indicated that appropriations will be closely monitored to ensure no future violations.

**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. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. 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.
5. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

**Brooklyn City School District**  
*Notes to the Basic Financial Statements*  
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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	(\$2,243,090)
Net Adjustment for Revenue Accruals	637,653
Advances In	19,713
Net Adjustment for Expenditure Accruals	391,205
Advances Out	(177,746)
Adjustment for Encumbrances	<u>(457,909)</u>
Budget Basis	<u><u>(\$1,830,174)</u></u>

**Note 6 - Deposits and Investments**

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

Active deposits are public deposits necessary to meet current demands on 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 Notes, Bills, Bonds, 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;

**Brooklyn City School District**  
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4. Bonds and other obligations of the State of Ohio or Ohio local governments;
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) of this section and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio); 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.

***Investments***

As of June 30, 2005, the School District had invested in the KeyBank Victory Federal Money Market mutual fund investment sweep account. All investments are in an internal investment pool. The fair value of the investment at June 30, 2005 was \$5,007,092 with an average maturity of one month.

***Interest Rate Risk*** The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

***Credit Risk*** The Victory Federal Money Market Mutual Fund carries a rating of AAAM by Standard & Poor's. The School District has no investment policy that would limit its investment choices.

**Note 7 - Property Taxes**

Property taxes are levied and assessed on a calendar year basis while the School District 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 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five 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.

**Brooklyn City School District**  
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Public utility property tax revenue received in calendar year 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This year, the June 2005 tangible personal property tax settlement was not received until July 2005.

The School District receives property taxes from Cuyahoga County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 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, public utility property and tangible personal property taxes which are measurable as of June 30, 2005, 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 and the late personal property tax settlement were levied to finance current fiscal year operations and are 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, 2005, was \$967,202 in the general fund and \$19,739 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2004, was \$1,562,938 in the general fund and \$31,897 in the permanent improvements capital projects fund.

The late tax settlement made by the County for fiscal year 2005 was \$660,673 in the general fund, and \$17,160 in the permanent improvement capital projects fund. The late tax settlement made by the County for fiscal year 2004 was \$702,592 in the general fund, and \$18,249 in the permanent improvement capital projects fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

**Brooklyn City School District**  
*Notes to the Basic Financial Statements*  
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The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second - Half Collections		2005 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$297,301,330	76.66 %	\$300,532,120	77.76 %
Public Utility	19,429,120	5.01	18,798,000	4.86
Tangible Personal Property	71,086,443	18.33	67,156,690	17.38
<b>Total Assessed Value</b>	<b>\$387,816,893</b>	<b>100.00</b>	<b>\$386,486,810</b>	<b>100.00</b>
 Tax rate per \$1,000 of assessed valuation		 \$39.50		 \$39.50

**Note 8 - Receivables**

Receivables at June 30, 2005, consisted of taxes, accounts (rent and tuition), 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.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
Food Service	\$3,486
Title VI-B	78,760
Title I	7,649
Title VI	2,566
Drug Free Schools	3,820
Preschool Grant	14
Miscellaneous Federal Grants	1,773
<i>Total</i>	<b>\$98,068</b>

**Brooklyn City School District**  
*Notes to the Basic Financial Statements*  
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**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Restated Balance June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$33,000	\$0	\$0	\$33,000
 <i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	6,588,413	291,685	0	6,880,098
Furniture and Equipment	2,695,863	84,897	0	2,780,760
Vehicles	671,831	0	0	671,831
Textbooks	686,641	0	0	686,641
<i>Total Capital Assets, being depreciated</i>	<u>10,642,748</u>	<u>376,582</u>	<u>0</u>	<u>11,019,330</u>
 <i>Less: Accumulated Depreciation</i>				
Buildings and Improvements	(3,845,876)	(105,312)	0	(3,951,188)
Furniture and Equipment	(2,282,596)	(55,875)	0	(2,338,471)
Vehicles	(575,000)	(17,234)	0	(592,234)
Textbooks	(658,002)	(11,456)	0	(669,458)
<i>Total Accumulated Depreciation</i>	<u>(7,361,474)</u>	<u>(189,877) *</u>	<u>0</u>	<u>(7,551,351)</u>
 <i>Total Capital Assets, being depreciated, Net</i>	<u>3,281,274</u>	<u>186,705</u>	<u>0</u>	<u>3,467,979</u>
 <b>Governmental Activities</b>				
<b>Capital Assets, Net</b>	<u>\$3,314,274</u>	<u>\$186,705</u>	<u>\$0</u>	<u>\$3,500,979</u>

\*Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$117,131
Support Services:	
Administration	5,210
Operations and Maintenance of Plant	30,292
Pupil Transportation	23,746
Food Service Operations	10,287
Non-Operating Services	1,208
Extracurricular Activity	2,003
Total Depreciation Expense	<u>\$189,877</u>

**Brooklyn City School District**  
*Notes to the Basic Financial Statements*  
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**Note 10 - Risk Management**

***A. 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 Harcum-Schuett Agency, Inc. for comprehensive property insurance (which also includes inland marine, crime, and equipment breakdown), professional liability, general liability and auto fleet coverage. The property insurance coverage was \$35,431,100 with a \$1,000 deductible (equipment breakdown has a \$1,500 deductible). Professional and general liability is protected by Harcum-Schuett Agency, Inc. with a \$3,000,000 aggregate and no deductible. Automobile liability has a \$3,000,000 aggregate and 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.

***B. Bonding***

The treasurer is covered by a surety bond in the amount of \$50,000. Remaining employees who handle money are covered with a public employees' blanket bond in amounts ranging from \$10,000 to \$20,000. These bonds are provided by the Nationwide Agribusiness Insurance Company.

***C. Workers' Compensation***

For fiscal year 2005, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. 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 11 - Defined Benefit Pension Plan**

***A. School Employees Retirement System***

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required

**Brooklyn City School District**  
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supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10.00 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$199,546, \$165,915 and \$146,093 respectively; 63.56 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

***B. State Teachers Retirement System***

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

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 contributions and earned interest matched by STRS Ohio funds times 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2005, 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. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum



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rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$826,475, \$792,350 and \$707,384, respectively; 96.45 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$2,887 made by the School District and \$19,776 made by the plan members.

**Note 12 - Postemployment Benefits**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

STRS retirees from the DB and Combined Plan and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$63,575 for fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2005, the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$153,911.

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The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005, were \$178,221,113 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,123 participants currently receiving health care benefits.

**Note 13 - Other Employee Benefits**

***Compensated Absences***

The criteria for determining vacation, personal and sick leave benefits are derived from negotiated agreements and State laws. Only administrative and school support personnel accumulate annual vacation leave which is paid upon separation with the School District. The Superintendent and the Treasurer accumulate 25 days vacation leave. The four exempt employees accumulate three weeks. School support personnel accumulate 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 professional staff member is entitled to fifteen days sick leave with pay for each year under contract. The sick leave accrues at the rate of one and one fourth days for each calendar month under contract. Upon retirement, an employee is paid a severance benefit equal to 32 percent of the value of their accumulative sick leave up to 99.2 days, calculated at current wage rates, with the balance being forfeited. An employee receiving such payment must meet the retirement provisions set by STRS Ohio or SERS, however, classified employees who resign can be paid for accumulated sick leave after 5 years. After 5 years of service, an employee is paid 32 percent of their value of their accumulative sick leave, calculated at the current wage rates. For fiscal years 2005 and 2006, classified employees retiring prior to June 30, 2006 will be paid 50 percent of their accumulated sick leave.

***Early Retirement Incentive***

The Board of Education offered employees participation in an Early Retirement Incentive program for those employees who retired during their respective years of contracts. Certified staff were eligible for the program the first year they were eligible to retire. Classified staff were eligible if they had at least 15 years of service and it was the first time they had become eligible under the contract. There are still amounts owed on this program.

**Brooklyn City School District**  
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**Note 14 - Long-Term Obligations**

The changes in the School District's long-term obligations during fiscal year 2005 were as follows:

	Balance 6/30/2004	Additions	Deletions	Balance 6/30/2005	Amount Due in One Year
<b>Governmental Activities</b>					
Energy Conservation Loan, 5%	\$540,000	\$0	\$540,000	\$0	\$0
Compensated Absences	808,757	71,779	97,976	782,560	345,480
<i>Total Governmental Activities</i>					
<i>Long-Term Obligations</i>	<u>\$1,348,757</u>	<u>\$71,779</u>	<u>\$637,976</u>	<u>\$782,560</u>	<u>\$345,480</u>

On August 10, 1994, the School District issued a \$4,249,000 Energy Conservation loan for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code section 133.06(G). The notes bear interest at 5.60 percent per annum. The loan was issued for a ten year period with final maturity during fiscal year 2005. This was paid from the general fund.

Compensated absences will be paid from the general fund and the food service special revenue fund.

The School District's overall legal debt margin was \$34,783,813 with an unvoted debt margin of \$386,487 at June 30, 2005.

**Note 15 - Insurance Purchasing Pool**

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

**Note 16 - Jointly Governed Organizations**

**A. 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 2005. Financial information can be obtained by contacting the Treasurer at the Polaris Career Center, 7285 Old Oak Boulevard, Middleburg Heights, Ohio 44130.

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***B. Ohio Schools Council***

The Ohio Schools Council Association (Council) is a jointly governed organization among 91 school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2005, the School District paid \$1,856 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Secretary/Treasurer of the Ohio Schools Council at 6133 Rockside Rd., Suite 10, Independence, Ohio 44131.

The School District participates in the Council's electric purchase program which was implemented during fiscal year 1998. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corp., a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to purchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corp.

The School District also participates in the Council's prepaid natural gas program which was implemented during fiscal year 2000. This program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. The participants make monthly payments based on estimated usage. Each month these estimated payments are compared to their actual usage and any necessary adjustments are made.

The City of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued \$89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is entitled to recover that amount, if any, of its contributions to the operating fund which are not encumbered for its share of program administrative costs.

***C. Lakeshore Northeast Ohio Computer Association (LNOCA)***

LNOCA is a jointly governed organization among sixteen school districts and the Cuyahoga County Educational Service Center in Cuyahoga County. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports LNOCA based on a per pupil charge. The School District paid \$32,009 to LNOCA during the fiscal year 2005.

The Governing Board consists of superintendents of each participating school districts and the educational service center. The degree of control exercised by any participant is limited to its representation on the Governing Board. The Board exercises total control over the operation of the organization including budgeting, appropriating, contracting and designating management. To obtain a copy of LNOCA's financial statements, write to the Educational Service Center at 5700 Canal Road, Valley View, Ohio 44125.

**Brooklyn City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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**Note 17 - Interfund Transactions**

***A. Transfers***

During fiscal year 2005, the School District transferred \$150 from the general fund to the title I special revenue fund to eliminate a negative balance in the fiscal year 2001 special cost center.

***B. Balances***

At the end of the fiscal year, the School District advanced money from the general fund to other funds to provide additional resources for current operations. Interfund balances at June 30, 2005, consist of the following individual fund receivables and payables:

Interfund Payable	Interfund Receivable
<b>Nonmajor Funds</b>	General
Title VI-B	\$70,851
Title VI	1,928
Drug Free Grant	3,210
Technology Grant	1,757
Permanent Improvement	100,000
<i>Total</i>	\$177,746

**Note 18 - 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 purchase of textbooks and other instructional materials and an equal amount 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. In prior fiscal years, the School District was also required to set aside money for budget stabilization.

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

**Brooklyn City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

	Textbooks	Capital Improvements
Set-aside Reserve Balance as of June 30, 2004	(\$269,021)	\$0
Current Year Set-aside Requirement	195,538	195,538
Permanent Improvement Levy Offset During the Fiscal Year	0	(190,256)
Qualifying Disbursements	(547,998)	(341,471)
Total	<u>(\$621,481)</u>	<u>(\$336,189)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$621,481)</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2005	<u>(\$621,481)</u>	<u>\$0</u>

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

**Note 19 - Contingencies**

***A. Grants***

The School District received financial assistance from federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

***B. Litigation***

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

**BROOKLYN CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY  
 SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
 FISCAL YEAR ENDED JUNE 30, 2005**

Federal Grantor Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. Department of Agriculture</b>						
<i>Passed Through the Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution	N/A	10.550	\$ -	\$11,302	\$ -	\$ 11,302
School Breakfast Program	043653-05-PU-04	10.553	4,194	-	4,194	-
	043653-05-PU-05		9,748	-	9,748	-
Subtotal for School Breakfast Program			13,942	-	13,942	-
National School Lunch Program	043653-LLP4-04	10.555	43,316	-	43,316	-
	043653-LLP4-05		101,856	-	101,856	-
Subtotal for National School Lunch Program			145,172	-	145,172	-
Total U. S. Department of Agriculture - Nutrition Cluster			159,114	11,302	159,114	11,302
<b>U.S. Department of Education</b>						
<i>Passed Through the Ohio Department of Education</i>						
Special Education Cluster:						
Special Education-Grants to States	043653-6B-SF-04	84.027	(7,909)	-	11,140	-
	043653-6B-SF-05		246,251	-	234,532	-
Subtotal for Special Education-Grants to States			238,342	-	245,672	-
Special Education-Preschool	043653-PG-S1-04	84.173	(14)	-	-	-
	043653-PG-S1-05		12,622	-	11,875	-
Subtotal for Special Education-Preschool			12,608	-	11,875	-
Total Special Education Cluster			250,950	-	257,547	-
Title I Grants to Local Education Agencies	043653-C1-S1-04	84.010	(7,649)	-	151	-
	043653-C1-S1-05		112,569	-	110,286	-
Total Title I Grants to Local Education Agencies			104,920	-	110,437	-
Safe and Drug-Free Schools and Communities State Grants	043653-DR-S1-04	84.186	(610)	-	521	-
	043653-DR-S1-05		1,967	-	3,725	-
Total Safe and Drug-Free Schools and Communities State Grants			1,357	-	4,246	-
Innovative Education Program Strategies	043653-C2-S1-04	84.298	(638)	-	-	-
	043653-C2-S1-05		5,861	-	4,985	-
Total Innovative Education Program Strategies			5,223	-	4,985	-
Technology Literacy Challenge Fund Grants	043653-TJ-S1-04	84.318	659	-	1,256	-
	043653-TJ-S1-05		1,048	-	648	-
Total Technology Literacy Challenge Fund Grants			1,707	-	1,904	-
Title VI-R Reducing Class Size Reduction	043653-CR-S1-00	84.340	(2,078)	-	-	-
Improving Teacher Quality State Grants	043653-TR-S1-04	84.367	-	-	2,518	-
	043653-TR-S1-05		54,594	-	51,917	-
Total Improving Teacher Quality State Grants			54,594	-	54,435	-
<i>Passed Through the Cleveland Municipal School District</i>						
Title I Grants to Local Education Agencies	N/A	84.010	27,237	-	27,237	-
Total U.S. Department of Education			443,910	-	460,791	-
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$ 603,024</b>	<b>\$ 11,302</b>	<b>\$ 619,905</b>	<b>\$ 11,302</b>

The notes to the Schedule of Federal Awards Expenditures are an integral part of this statement.

**BROOKLYN CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C – NEGATIVE RECEIPTS**

Certain receipts presented on the Schedule are reflected as negative receipts. These negative receipts represent either refunds of unexpended grant monies or transfers to subsequent grant years.

N/A – Not Applicable

CFDA – Catalog of Federal Domestic Assistance





**Auditor of State  
Betty Montgomery**

**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, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 11, 2006 wherein we noted the District implemented GASB Statement Nos. 39, 40, 46, and Technical Bulletin 2004-2 and restated the Net Assets of the Governmental Activities as of June 30, 2004. 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 to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the District's management dated May 11, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-002 through 2005-004. In a separate letter to the District's management dated May 11, 2006, we reported other matters related to noncompliance we deemed immaterial.

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



**Betty Montgomery**  
Auditor of State

May 11, 2006



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH 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 apply to its major federal program for the year ended June 30, 2005. 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 each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of 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 those 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 those requirements.

In our opinion, the Brooklyn City School District, Cuyahoga County, Ohio, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2005.

#### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with 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 expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

**Betty Montgomery**  
Auditor of State

May 11, 2006

**BROOKLYN CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster: CFDA #84.027 Special Education Grants to States (Idea, Part B) and CFDA # 84.173 Special Education Preschool Grants
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

**FINDING NUMBER 2005-001**

**RETIREMENT PAYMENTS MADE WITHOUT SPECIFIC BOARD APPROVAL**

The Board of Education did not pass a resolution in 2005 approving the lump sum retirement of the former superintendent and the treasurer. The Board of Education did approve and acknowledge by resolution retirement for all other employees who retired in fiscal 2005.

**BROOKLYN CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

**FINDING NUMBER 2005-001**

**RETIREMENT PAYMENTS MADE WITHOUT SPECIFIC BOARD APPROVAL (Continued)**

According to the terms of the former superintendent's and the treasurer's contract they "...shall receive not less than those leaves and other benefits provided for other employees of this school district, which includes but is not limited to the following: assault leave, parental leave, personal leave, sick leave, severance pay, and incentive plan for early retirement."

Article XXXI, Section 1. A. of the classified employee's agreement provides eligibility requirements for the Lump Sum Retirement Buyout. Article XXXI, Section 1. A. (1) a. states the employee shall have become eligible between July 1, 2004 and June 30, 2007 for retirement by virtue of meeting all eligibility requirements under the Ohio State Employees Retirement System (SERS). Article XXXI, Section 1. A. (1) b. states the employee must have at least fifteen (15) or more full and continuous years of service with the Brooklyn City School District immediately prior to retirement. Article XXXI, Section 1. C. provides the payment schedule for the Lump Sum Retirement Buyout, and states, in part, that eligible employees whose requests for retirement between the aforementioned dates are approved by the Board, shall receive twenty-eight (28) percent of their base pay as determined by their actual placement on the negotiated salary schedule.

The former superintendent had four consecutive years of service and the treasurer had 11 consecutive years of service with the Brooklyn City School District at the time of retirement.

The former superintendent and the treasurer received total retirement payments of \$97,338 and \$70,602, respectively. Included in these totals were lump sum retirement payments of \$32,103 and \$25,298, respectively, representing 28% of their approved contract salary at the time of retirement. This retirement benefit was received according to the classified employee's negotiated agreement. The worksheet prepared by the District documenting the calculation of the retirement payout was signed by the President of the Board of Education. However, his signature was not a reflection of Board action.

A discussion with the President of the Board of Education disclosed that Board Members were aware of the buyout provision in the contract of the former superintendent and it was their intent that he was to receive the buyout payment without meeting the qualification of the buyout. The President further indicated that he could not recollect a similar discussion with the Board Members regarding the treasurer's contract provisions.

It should be noted that additional costs to the District were incurred as a result of the District obtaining an interpretation to the contract terms and provisions from the District's legal counsel, Matthew Markling. Mr. Markling's interpretation asserts that it has always been the Board's intention that both individuals were to receive these benefits.

We recommend the contracts for District administrators be acted upon in an open meeting of the Board of Education by Board resolution accepting all terms and provisions, as intended, and those actions documented in the minute record. Further, we recommend all retirement payments be specifically approved by resolution of the Board of Education.

**CLIENT'S RESPONSE:**

*The Board in the future will act on all Administrative Contracts and Severances in open session, accepting all terms, provisions, intent and actions. The minutes will reflect and embody all pertinent documents.*

**BROOKLYN CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

**FINDING NUMBER 2005-002**

**APPROPRIATIONS IN EXCESS OF AVAILABLE RESOURCES**

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated fund resources from each fund. This section also requires the District to obtain a County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

The following funds had original appropriations in excess of certified available resources:

<u>Fund</u>	Original Revenues Plus Carryover <u>Balance</u>	Original <u>Appropriation</u>	<u>Excess</u>
Uniform School Supply	\$89,223	\$104,312	(\$15,089)
Athletics and Music	\$74,763	\$100,463	(\$25,700)
Entry Year Programs	0	\$6,600	(\$6,600)
Data Communications	\$1,402	\$13,402	(\$12,000)
Student Intervention	\$6,148	\$21,774	(\$15,626)
Title VI-B	\$244,050	\$309,374	(\$65,324)
Preschool Grant	\$9,014	\$12,108	(\$3,094)
Student Activity	\$35,503	\$51,067	(\$15,564)

The following funds had appropriations in excess of certified available resources at November 30, 2004:

<u>Fund</u>	Revenues Plus Carryover <u>Balance</u>	<u>Appropriation</u>	<u>Excess</u>
Food Service	\$330,000	\$350,000	(\$20,000)
Public School Support	\$40,030	\$42,386	(\$2,356)
Entry Year	\$0	\$6,600	(\$6,600)
DPIA	\$19,053	\$24,059	(\$5,006)
Data Communications	\$1,402	\$13,402	(\$12,000)
Ohio Read	\$0	\$25,091	(\$25,091)
Drug Free	\$5,200	\$5,763	(\$563)
Title IID	\$3,600	\$4,056	(\$456)

Management was able to reduce these deficiencies to zero by year-end.

This condition could cause a fund balance deficit if actual expenditures were equal to the annual appropriations.

The District should monitor their budget to ensure that appropriations are within available spending limits.

**CLIENT'S RESPONSE:**

*The new requirements for requesting additional grant monies is: showing expenditures are expended and paid for before additional funds are requested. The Board will discuss advancing general fund dollars in the interim period of time of: showing a need, requesting the additional funds and receipting of funds.*

**BROOKLYN CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

**FINDING NUMBER 2005-003**

**EXPENDITURES PLUS ENCUMBRANCES IN EXCESS OF APPROPRIATIONS**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making expenditures unless it has been appropriated. Budgetary expenditures (that is, disbursements and encumbrances) as enacted by the Board of Education may not exceed appropriations at the legal level of control for all funds.

The District's legal level of control for the General Fund is at the fund/function/object level. The District's legal level of control for all other funds is at the fund level. Budgetary expenditures exceeded appropriation authority for the District's legal level of control at November 30, 2004 as follows:

<u>Fund/Function/Object Code</u>	<u>Expenditures Plus Encumbrances</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund/Tuition/Purchases	\$22,326	\$5,000	\$17,326
General Fund/Student Services/Purchases	\$142,521	\$103,891	\$38,630
General Fund/Sports Oriented/Supplies	\$10,928	\$7,500	\$3,428
General Fund/Architect Services/Purchases	\$13,287	\$0	\$13,287
General Fund/Advances Out/Miscellaneous	\$220,000	\$100,463	\$119,537
Permanent Improvement Fund	\$369,943	\$250,000	\$119,943

These deficiencies were corrected by June 30, 2005.

We recommend the District monitor expenditures plus encumbrances with appropriations plus carryover encumbrances on a regular basis.

**CLIENT'S RESPONSE:**

*Although the deficiencies were corrected by June 30, 2005, the Treasurer's office will monitor and make the necessary corrections on a daily basis and seek the appropriate Board action.*

**FINDING NUMBER 2005-004**

**CONTRACT CHANGE ORDERS**

Ohio Rev. Code Section 3313.33(B) states no contract shall be binding upon any board unless it is made or authorized at a regular or special meeting of such board.

A change order for the Stadium and Rodoan Elementary Drive Project was made in the amount of \$35,200, which was an increase of 21.5% over the original contract amount, without Board approval. This could be a deliberate attempt to circumvent the competitive bidding procedures for additional work that should have gone out for bid.

We recommend the District administration submit contract change orders to the Board for approval.

**CLIENT'S RESPONSE:**

*Over the period of time from the commencement of the project and the project being finalized with "adds and deletions" and the AIA Document being certified by the Board's Architect there was an oversight of having a change order approved by the Board. This will not happen again.*



**BROOKLYN CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**None.**





**Auditor of State  
Betty Montgomery**

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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  
JULY 11, 2006**