



**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Members of the Board of Education
Brooklyn City School District
Cuyahoga County
9200 Biddulph Road
Brooklyn, Ohio 44144

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Brooklyn City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Brooklyn City School District, Cuyahoga County, Ohio, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type 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 general-purpose financial statements, the District reclassified its expendable trust fund to a special revenue fund, reclassified its internal service fund to an agency fund, and corrected an error in its enterprise fund fixed assets. The District also implemented GASB statements #33 and #36 which resulted in a restatement to the special revenue fund balance.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, such information is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

January 11, 2002

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Brooklyn City School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Assets and Other Debits			
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,363,424	\$140,767	\$327,900
Receivables:			
Taxes	11,964,589	0	205,524
Accounts	7,457	0	39
Intergovernmental	3,500	53,035	1,200
Interfund Receivable	13,645	0	0
Prepaid Items	13,459	0	0
Inventory Held for Resale	0	0	0
Materials and Supplies Inventory	10,132	0	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	275,218	0	0
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	0
Other Debits			
Amount to be Provided from General Government Resources	0	0	0
Total Assets and Other Debits	\$13,651,424	\$193,802	\$534,663

Proprietary Fund Type	Fiduciary Fund Type	Account Groups			Totals (Memorandum Only)
Enterprise	Agency	General Fixed Assets	General Long-Term Obligations		
\$198,215	\$9,287	\$0	\$0	\$2,039,593	
0	0	0	0	12,170,113	
0	0	0	0	7,496	
0	0	0	0	57,735	
0	0	0	0	13,645	
0	0	0	0	13,459	
12,495	0	0	0	12,495	
8,139	0	0	0	18,271	
0	0	0	0	275,218	
55,325	0	9,343,599	0	9,398,924	
0	0	0	3,288,120	3,288,120	
<u>\$274,174</u>	<u>\$9,287</u>	<u>\$9,343,599</u>	<u>\$3,288,120</u>	<u>\$27,295,069</u>	

Brooklyn City School District
Combined Balance Sheet
All Fund Types and Account Groups (continued)
June 30, 2001

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<i>Liabilities, Fund Equity and Other Credits</i>			
Liabilities			
Accounts Payable	\$75,336	\$59,565	\$36,830
Accrued Wages	781,862	4,840	0
Compensated Absences Payable	19,303	0	0
Interfund Payable	0	5,595	0
Intergovernmental Payable	294,053	798	0
Deferred Revenue	11,367,819	5,291	190,312
Due to Students	0	0	0
Energy Conservation Loan Payable	0	0	0
State Operating Loan Payable	462,000	0	0
Early Retirement Incentive Payable	0	0	0
	13,000,373	76,089	227,142
Fund Equity and Other Credits			
Investment in General Fixed Assets	0	0	0
Contributed Capital	0	0	0
Retained Earnings:			
Unreserved	0	0	0
Fund Balance:			
Reserved for Encumbrances	98,924	369	0
Reserved for Inventory	10,132	0	0
Reserved for Property Taxes	596,770	0	15,212
Reserved for Textbooks	228,829	0	0
Reserved for Capital Improvements	46,389	0	0
Unreserved:			
Undesignated (Deficit)	(329,993)	117,344	292,309
	651,051	117,713	307,521
<i>Total Fund Equity and Other Credits</i>	651,051	117,713	307,521
<i>Total Liabilities, Fund Equity and Other Credits</i>	\$13,651,424	\$193,802	\$534,663

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups			Totals (Memorandum Only)
Enterprise	Agency	General Fixed Assets	General Long-Term Obligations		
\$8,338	\$2,587	\$0	\$0	\$182,656	
4,321	0	0	0	791,023	
5,341	0	0	1,014,687	1,039,331	
5,043	3,007	0	0	13,645	
25,704	0	0	76,614	397,169	
11,871	0	0	0	11,575,293	
0	3,693	0	0	3,693	
0	0	0	1,985,000	1,985,000	
0	0	0	0	462,000	
0	0	0	211,819	211,819	
<u>60,618</u>	<u>9,287</u>	<u>0</u>	<u>3,288,120</u>	<u>16,661,629</u>	
0	0	9,343,599	0	9,343,599	
17,653	0	0	0	17,653	
195,903	0	0	0	195,903	
0	0	0	0	99,293	
0	0	0	0	10,132	
0	0	0	0	611,982	
0	0	0	0	228,829	
0	0	0	0	46,389	
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>79,660</u>	
<u>213,556</u>	<u>0</u>	<u>9,343,599</u>	<u>0</u>	<u>10,633,440</u>	
<u>\$274,174</u>	<u>\$9,287</u>	<u>\$9,343,599</u>	<u>\$3,288,120</u>	<u>\$27,295,069</u>	

Brooklyn City School District
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2001*

	Governmental	Fund Types
	General	Special Revenue
Revenues		
Taxes	\$10,542,651	\$0
Intergovernmental	1,747,432	662,962
Interest	187,766	5,999
Tuition and Fees	194,161	0
Extracurricular Activities	0	118,792
Customer Services	29,441	0
Contributions and Donations	0	1,748
Rentals	13,248	0
Miscellaneous	151,090	22,343
<i>Total Revenues</i>	<i>12,865,789</i>	<i>811,844</i>
Expenditures		
Current:		
Instruction:		
Regular	4,692,895	37,354
Special	1,062,869	136,519
Vocational	75,988	0
Support Services:		
Pupils	705,932	100,695
Instructional Staff	249,499	89,386
Board of Education	31,516	0
Administration	1,420,899	3,148
Fiscal	456,690	0
Business	99,912	0
Operation and Maintenance of Plant	1,106,436	2,938
Pupil Transportation	388,617	0
Central	194,297	6,375
Operation of Non-Instructional Services	0	332,738
Extracurricular Activities	224,044	162,915
Capital Outlay	4,578	1,322
Debt Service:		
Principal Retirement	430,000	0
Interest and Fiscal Charges	123,200	0
<i>Total Expenditures</i>	<i>11,267,372</i>	<i>873,390</i>
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>1,598,417</i>	<i>(61,546)</i>
Other Financing Sources (Uses)		
Operating Transfers In	0	4,314
Operating Transfers Out	(39,624)	0
<i>Total Other Financing Sources (Uses)</i>	<i>(39,624)</i>	<i>4,314</i>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<i>1,558,793</i>	<i>(57,232)</i>
<i>Fund Balances (Deficit) Beginning of Year (Restated see Note 3)</i>	<i>(909,876)</i>	<i>174,945</i>
Increase in Reserve for Inventory	2,134	0
<i>Fund Balances End of Year</i>	<i>\$651,051</i>	<i>\$117,713</i>

See accompanying notes to the general purpose financial statements

Debt Service	Capital Projects	Totals (Memorandum Only)
\$0	\$193,053	\$10,735,704
0	45,893	2,456,287
0	0	193,765
0	0	194,161
0	0	118,792
0	0	29,441
0	0	1,748
0	8,439	21,687
0	0	173,433
0	247,385	13,925,018
0	0	4,730,249
0	0	1,199,388
0	0	75,988
0	0	806,627
0	0	338,885
0	0	31,516
0	0	1,424,047
0	0	456,690
0	0	99,912
0	0	1,109,374
0	0	388,617
0	0	200,672
0	0	332,738
0	0	386,959
0	373,021	378,921
0	0	430,000
0	0	123,200
0	373,021	12,513,783
0	(125,636)	1,411,235
11,310	0	15,624
0	0	(39,624)
11,310	0	(24,000)
11,310	(125,636)	1,387,235
(11,310)	433,157	(313,084)
0	0	2,134
<u>\$0</u>	<u>\$307,521</u>	<u>\$1,076,285</u>

Brooklyn City School District
Brooklyn City School District
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2001

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$11,041,223	\$10,630,854	(\$410,369)
Intergovernmental	1,841,521	1,743,932	(97,589)
Interest	195,729	200,024	4,295
Tuition and Fees	199,602	192,183	(7,419)
Extracurricular Activities	0	0	0
Customer Services	14,565	14,012	(553)
Contributions and Donations	0	0	0
Rentals	13,759	13,248	(511)
Miscellaneous	153,124	147,699	(5,425)
<i>Total Revenues</i>	<u>13,459,523</u>	<u>12,941,952</u>	<u>(517,571)</u>
Expenditures			
Current:			
Regular	4,695,738	4,651,969	43,769
Special	1,183,444	1,015,570	167,874
Vocational	69,447	69,287	160
Support Services:			
Pupils	852,285	837,760	14,525
Instructional Staff	257,681	249,129	8,552
Board of Education	33,598	33,288	310
Administration	1,335,376	1,330,179	5,197
Fiscal	477,069	474,228	2,841
Business	116,728	106,699	10,029
Operation and Maintenance of Plant	1,125,953	1,104,842	21,111
Pupil Transportation	407,500	396,119	11,381
Central	203,760	189,492	14,268
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	226,037	223,986	2,051
Capital Outlay	6,894	4,578	2,316
Debt Service:			
Principal Retirement	2,138,500	2,138,500	0
Interest and Fiscal Charges	123,201	123,201	0
<i>Total Expenditures</i>	<u>13,253,211</u>	<u>12,948,827</u>	<u>304,384</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>206,312</u>	<u>(6,875)</u>	<u>(213,187)</u>
Other Financing Sources (Uses)			
Advances In	37,267	35,616	(1,651)
Advances Out	(10,575)	(10,575)	0
Operating Transfers In	0	0	0
Operating Transfers Out	(39,624)	(39,624)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(12,932)</u>	<u>(14,583)</u>	<u>(1,651)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>193,380</u>	<u>(21,458)</u>	<u>(214,838)</u>
<i>Fund Balances Beginning of Year</i>	1,294,237	1,294,237	0
Prior Year Encumbrances Appropriated	81,367	81,367	0
<i>Fund Balances (Deficit) End of Year</i>	<u>\$1,568,984</u>	<u>\$1,354,146</u>	<u>(\$214,838)</u>

See accompanying notes to the general purpose financial statements

Special Revenue Funds			Debt Service		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
490,700	694,899	204,199	0	0	0
0	6,452	6,452	0	0	0
0	0	0	0	0	0
77,056	118,792	41,736	0	0	0
0	0	0	0	0	0
8,609	1,748	(6,861)	0	0	0
0	0	0	0	0	0
21,835	22,432	597	0	0	0
<u>598,200</u>	<u>844,323</u>	<u>246,123</u>	<u>0</u>	<u>0</u>	<u>0</u>
67,520	39,058	28,462	0	0	0
169,657	141,462	28,195	0	0	0
0	0	0	0	0	0
101,457	101,195	262	0	0	0
142,308	87,508	54,800	0	0	0
0	0	0	0	0	0
3,169	3,169	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
12,000	2,938	9,062	0	0	0
0	0	0	0	0	0
14,593	10,294	4,299	0	0	0
338,355	333,184	5,171	0	0	0
47,300	162,118	(114,818)	0	0	0
8,093	1,322	6,771	0	0	0
0	0	0	0	0	0
0	0	0	11,310	0	11,310
<u>904,452</u>	<u>882,248</u>	<u>22,204</u>	<u>11,310</u>	<u>0</u>	<u>11,310</u>
<u>(306,252)</u>	<u>(37,925)</u>	<u>268,327</u>	<u>(11,310)</u>	<u>0</u>	<u>11,310</u>
0	5,532	5,532	0	0	0
(35,616)	(35,616)	0	0	0	0
0	4,314	4,314	0	11,310	11,310
0	0	0	0	0	0
<u>(35,616)</u>	<u>(25,770)</u>	<u>9,846</u>	<u>0</u>	<u>11,310</u>	<u>11,310</u>
(341,868)	(63,695)	278,173	(11,310)	11,310	22,620
90,295	90,295	0	(11,310)	(11,310)	0
54,016	54,016	0	0	0	0
<u>(\$197,557)</u>	<u>\$80,616</u>	<u>\$278,173</u>	<u>(\$22,620)</u>	<u>\$0</u>	<u>\$22,620</u>

(continued)

Brooklyn City School District
 Brooklyn City School District
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
 All Governmental Fund Types (continued)
 For the Fiscal Year Ended June 30, 2001

	<u>Capital Projects Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Taxes	\$173,991	\$184,801	\$10,810
Intergovernmental	46,349	44,693	(1,656)
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Customer Service	0	0	0
Contributions and Donations	0	0	0
Rentals	7,908	8,400	492
Miscellaneous	0	0	0
<i>Total Revenues</i>	<u>228,248</u>	<u>237,894</u>	<u>9,646</u>
Expenditures			
Current:			
Regular	50,000	4,675	45,325
Special	0	0	0
Vocational	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Business	0	0	0
Operation and Maintenance of Plant	32,000	39,002	(7,002)
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	465,493	323,730	141,763
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>547,493</u>	<u>367,407</u>	<u>180,086</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(319,245)</u>	<u>(129,513)</u>	<u>189,732</u>
Other Financing Sources (Uses)			
Advances In	0	0	0
Advances Out	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(319,245)</u>	<u>(129,513)</u>	<u>189,732</u>
<i>Fund Balances Beginning of Year</i>	404,132	404,132	0
Prior Year Encumbrances Appropriated	<u>16,451</u>	<u>16,451</u>	<u>0</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$101,338</u>	<u>\$291,070</u>	<u>\$189,732</u>

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)

<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$11,215,214	\$10,815,655	(\$399,559)
2,378,570	2,483,524	104,954
195,729	206,476	10,747
199,602	192,183	(7,419)
77,056	118,792	41,736
14,565	14,012	(553)
8,609	1,748	(6,861)
21,667	21,648	(19)
<u>174,959</u>	<u>170,131</u>	<u>(4,828)</u>
<u>14,285,971</u>	<u>14,024,169</u>	<u>(261,802)</u>
4,813,258	4,695,702	117,556
1,353,101	1,157,032	196,069
69,447	69,287	160
953,742	938,955	14,787
399,989	336,637	63,352
33,598	33,288	310
1,338,545	1,333,348	5,197
477,069	474,228	2,841
116,728	106,699	10,029
1,169,953	1,146,782	23,171
407,500	396,119	11,381
218,353	199,786	18,567
338,355	333,184	5,171
273,337	386,104	(112,767)
480,480	329,630	150,850
2,138,500	2,138,500	0
<u>134,511</u>	<u>123,201</u>	<u>11,310</u>
<u>14,716,466</u>	<u>14,198,482</u>	<u>517,984</u>
<u>(430,495)</u>	<u>(174,313)</u>	<u>256,182</u>
37,267	41,148	3,881
(46,191)	(46,191)	0
0	15,624	15,624
<u>(39,624)</u>	<u>(39,624)</u>	<u>0</u>
<u>(48,548)</u>	<u>(29,043)</u>	<u>19,505</u>
(479,043)	(203,356)	275,687
1,777,354	1,777,354	0
<u>151,834</u>	<u>151,834</u>	<u>0</u>
<u>\$1,450,145</u>	<u>\$1,725,832</u>	<u>\$275,687</u>

Brooklyn City School District
*Combined Statement of Revenues, Expenses
and Changes in Fund Equity
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2001*

	<u>Enterprise</u>
Operating Revenues	
Tuition	\$119,881
Sales	291,786
	<u>411,667</u>
<i>Total Operating Revenues</i>	<u>411,667</u>
Operating Expenses	
Salaries and Wages	222,581
Fringe Benefits	77,864
Purchased Services	14,617
Materials and Supplies	29,286
Cost of Sales	194,602
Depreciation	9,188
Other	1,388
	<u>549,526</u>
<i>Total Operating Expenses</i>	<u>549,526</u>
<i>Operating Loss</i>	<u>(137,859)</u>
Non-Operating Revenues	
Donated Commodities	17,833
Operating Grants	86,869
Interest	142
	<u>104,844</u>
<i>Total Non-Operating Revenues</i>	<u>104,844</u>
<i>Loss Before Operating Transfers</i>	(33,015)
Operating Transfers In	24,000
	<u>24,000</u>
<i>Net Loss</i>	(9,015)
<i>Retained Earnings Beginning of Year (Restated-Note 3)</i>	<u>204,918</u>
<i>Retained Earnings End of Year</i>	195,903
<i>Contributed Capital Beginning and End of Year</i>	<u>17,653</u>
<i>Fund Equity at End of Year</i>	<u><u>\$213,556</u></u>

See accompanying notes to the general purpose financial statements

Brooklyn City School District
*Combined Statement of Revenues, Expenses and
Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2001*

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Tuition	\$95,637	\$119,895	\$24,258
Sales	253,669	294,049	40,380
Interest	136	142	6
Operating Grants	83,006	86,869	3,863
<i>Total Revenues</i>	<u>432,448</u>	<u>500,955</u>	<u>68,507</u>
Expenses			
Salaries	255,195	225,246	29,949
Fringe Benefits	67,263	61,979	5,284
Purchased Services	29,777	15,560	14,217
Materials and Supplies	234,505	207,837	26,668
Other	57,424	1,388	56,036
Capital Outlay	23,499	4,055	19,444
<i>Total Expenses</i>	<u>667,663</u>	<u>516,065</u>	<u>151,598</u>
<i>Excess of Revenues Under Expenses</i>	(235,215)	(15,110)	220,105
Advances In	4,819	5,043	224
Operating Transfers In	22,933	24,000	1,067
<i>Excess of Revenues, Operating Transfers, and Advances Over (Under) Expenses</i>	(207,463)	13,933	221,396
<i>Fund Equity Beginning of Year</i>	168,003	168,003	0
Prior Year Encumbrances Appropriated	7,639	7,639	0
<i>Fund Equity (Deficit) End of Year</i>	<u>(\$31,821)</u>	<u>\$189,575</u>	<u>\$221,396</u>

See accompanying notes to the general purpose financial statements

Brooklyn City School District
Combined Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2001

	<u>Enterprise</u>
<i>Increase (Decrease) in</i>	
<i>Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Customers	\$413,946
Cash Payments to Employees for Services	(225,246)
Cash Payments for Employee Benefits	(61,979)
Cash Payments for Goods and Services	(214,759)
Cash Payments for Other Operating Expenses	(1,388)
 <i>Net Cash Used for</i>	
<i>Operating Activities</i>	(89,426)
 Cash Flows from Noncapital	
Financing Activities	
Operating Grants Received	86,869
Advance In	5,043
Operating Transfers In	24,000
 <i>Net Cash Provided by</i>	
<i>Noncapital Financing Activities</i>	115,912
 Cash Flows from Capital and	
Related Financing Activities	
Payments for Capital Acquisitions	(4,055)
 Cash Flows from Investing Activities	
Interest on Investments	142
 <i>Net Increase in</i>	
<i>Cash and Cash Equivalents</i>	22,573
 <i>Cash and Cash Equivalents</i>	
<i>Beginning of Year</i>	175,642
 <i>Cash and Cash Equivalents End of Year</i>	\$198,215

(continued)

Brooklyn City School District
Combined Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2001

	<u>Enterprise</u>
<i>Reconciliation of Operating Loss to Net Cash Used For Operating Activities</i>	
<i>Operating Loss</i>	<u>(\$137,859)</u>
Adjustments	
Depreciation	9,188
Donated Commodities Used During Year	17,833
(Increase)/Decrease in Assets:	
Accounts Receivable	2,276
Inventory Held for Resale	(624)
Materials and Supplies Inventory	(1,798)
Increase/(Decrease) in Liabilities:	
Accounts Payable	8,338
Accrued Wages	(3,427)
Compensated Absences Payable	(9,057)
Intergovernmental Payable	<u>25,704</u>
<i>Total Adjustments</i>	<u>48,433</u>
 <i>Net Cash Used for Operating Activities</i>	 <u><u>(\$89,426)</u></u>

See accompanying notes to the general purpose financial statements

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Brooklyn City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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 58 non-certificated, 98 certificated teaching personnel, and 7 administrators, who provide services to community members and 1,401 students.

On April 27, 1999 the School District was declared to be in a state of "Fiscal Emergency" by the Auditor of State. Legislation effective September 1996, permitted this declaration due to the School District's declining financial condition. In accordance with the law, a five-member Financial Planning and Supervision Commission was established to oversee all financial affairs of the School District. The Commission's primary charge is to develop, adopt and implement a five year financial recovery plan. The Commission accordingly adopted the School District plan on June 24, 1999. The Commission is comprised of the State Superintendent of Public Instruction, the School District Superintendent, State Director of Budget and Management, the Mayor of the City of Brooklyn, an appointee of the Superintendent of Public Instruction, an appointee of the Governor, and an appointee of the Mayor of Brooklyn. Once the plan was adopted, the Board of Education's discretion was limited in that all financial activity of the School District must be in accordance with the plan.

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 of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Brooklyn City School District, this includes general operations, food service, preschool and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance 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.

Brooklyn City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Non-public Schools - Within the School District boundaries, St. Thomas More is operated as a non-public school. Current State legislation provides funding to this school. These monies are received and disbursed on behalf of the school by the Treasurer of the School District, as directed by the school. This activity is reflected in a special revenue fund for financial reporting purposes.

The following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

City of Brooklyn - The City government of Brooklyn is a separate body politic and corporate. A mayor and council are elected independent of any School District relationships and administer the provisions of traditional city services. Council acts as the taxing and budgeting authority for these city services.

Cuyahoga County Public Library - The Library is a distinct political subdivision of the State of Ohio governed by a board of trustees. The board of trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies.

Parent Teacher Association - The School District is not involved in budgeting or managing the association, is not responsible for any debt of the association and has no influence over the association.

The School District is associated with three jointly governed organizations; the Polaris Career Center, the Ohio Schools Council and the Lakeshore Northeast Ohio Computer Association. The School District is also associated with the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool. The organizations are presented in Notes 18 and 19 to the general purpose financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of Brooklyn City 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 proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

Brooklyn City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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 general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Types Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Funds Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Brooklyn City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Fiduciary Funds Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. There are two types of fiduciary funds, trust and agency. The School District has no trust funds. The School District's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary funds operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

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 year-end.

Brooklyn City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Non-exchange 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 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 non-exchange 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, student fees and rentals.

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, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the fund, function, object level for the

Brooklyn City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

general, permanent improvement and food service funds, and at the fund, object level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Appropriations are allocated among functions and objects within a fund during the fiscal year by the Treasurer without Board of Education approval.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow and are intended to be repaid.

Tax Budget Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Cuyahoga County Budget Commission for rate determination.

Estimated Resources By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

Appropriations Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certification saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education at the fund function, object level for the general, permanent improvement and food service funds, and at the fund, object level for all other funds. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenditures of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total expenditures and encumbrances may not exceed the appropriation totals at the level of control previously stated.

The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Brooklyn City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Encumbrances As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

The general fund made an advance to various special revenue funds, an enterprise fund, and an agency fund to eliminate the funds' negative cash balances. These various funds have an interfund payable for the amount of the advance received from the general fund and the general fund has an interfund receivable for the same among on the combined balance sheet.

During fiscal year 2001, investments were limited to money market mutual funds; open-end mutual funds are valued at the share price.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$187,766 which includes \$50,677 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded 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 year in which services are consumed.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in

Brooklyn City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

G. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for the creation of a reserve for textbooks and reserve for capital improvements. See Note 21 for additional information regarding set-asides.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District does not possess any infrastructure.

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 capitalized. Interest incurred during the construction of general fixed assets is also not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of fund fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of 10 - 20 years.

I. Interfund Assets and Liabilities

Short-term interfund loans are classified as "interfund receivables/payables." Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Brooklyn City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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 service, based on historical employment trends.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences and contractually required pension contributions are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. In general, amounts paid more than sixty days after fiscal year end are considered not to have been paid with current available financial resources. Long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Contributed Capital

Contributed capital represents resources from other funds, other governments and private sources provided to the enterprise funds that are not subject to repayment. These assets are recorded at their fair market value on the date contributed.

Brooklyn City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

N. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for a specific future use or which do not represent available spendable resources and therefore are not available for appropriations or expenditures. Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventory, property tax, textbooks and materials and capital improvements.

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

O. Estimates

The preparation of the 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.

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 3 - Changes In Accounting Principles and Restatement of Fund Balance

A. Changes in Accounting Principles

For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36 "Recipient Reporting for Certain Shared Nonexchange Revenues."

B. Restatement of Fund Balances

During fiscal year 2001, the fund classification was reviewed and it was determined that the expendable trust fund should be classified as a special revenue fund. This change in accounting principle, and the reclassification had the following effect on fund balances at June 30, 2000:

Brooklyn City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

	Special Revenue	Expendable Trust
Fund Balances, June 30, 2000	\$90,689	\$4,576
Restatement of Trust Fund	4,576	(4,576)
Implementation of GASB 33	<u>79,680</u>	<u>0</u>
Restated Fund Balances, June 30, 2000	<u>\$174,945</u>	<u>\$0</u>

	Internal Service
Retained Earnings, June 30, 2000	<u>\$176</u>
Restatement of Internal Service Fund	<u>(176)</u>
Retained Earnings, June 30, 2000	<u>\$0</u>

The Internal Service fund was reclassified to an agency fund, increasing the total of Due to Students by \$176 from \$97 to \$273.

The effect of this restatement on the excess of revenues and other financing sources over (under) expenditures and other financing uses as previously reported for the fiscal year ended June 30, 2000 is as follows:

	Special Revenue	Expendable Trust
Excess as previously reported	(\$120,926)	\$1,077
Reclassification of Trust Fund	<u>1,077</u>	<u>(1,077)</u>
Restated Excess, June 30, 2000	<u>(\$119,849)</u>	<u>\$0</u>

During the fiscal year, the School District made a correction to the enterprise fixed assets increasing fixed assets at June 30, 2000, from \$36,805 to \$55,325 and increasing retained earnings at June 30, 2000, from \$183,508 to \$204,918.

Note 4 - Accountability and Compliance

A. Fund Deficit

Fund Balance at June 30, 2001, included a fund balance deficit of \$63 in the Teacher Development special revenue fund. The special revenue fund deficit balance resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides operation transfers when cash is required, not when accruals occur.

Brooklyn City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

B. Legal Compliance

Contrary to Section 5705.39, Ohio Revised Code, the following funds had appropriations in excess of estimated revenues and carryover balances:

Fund	Estimated Revenue Plus Carryover Balances	Appropriations	Excess
Special Revenue:			
Auxiliary Services	\$262,234	\$287,303	(\$25,069)
Data Communication	0	12,000	(12,000)
Schoolnet	1,142	5,142	(4,000)
Video Distance	0	35,000	(35,000)
Ohio Reads	62,364	66,364	(4,000)
Misc. State Grants	4,713	8,742	(4,029)
Eisenhower Grant	5,500	9,560	(4,060)
Title VI-B	70,000	110,520	(40,520)
Title I	97,000	222,590	(125,590)
Title VI	6,800	19,706	(12,906)
Drug Free Schools	5,613	5,883	(270)
Misc. Fed. Grants	500	48,596	(48,096)
Debt Service Fund:			
Bond Retirement	(11,310)	11,310	(22,620)
Enterprise Funds:			
Food Service	356,812	398,879	(42,067)
Latchkey	196,712	197,249	(537)

Contrary to Section 5705.41(D), Ohio Revised Code, the Schoolnet Capital Projects fund had expenditures plus encumbrances in excess of appropriations by \$24,000. Additionally, the District Managed Student Activity Special Revenue Fund had expenditures plus encumbrances in excess of appropriations of \$118,688. The School District had a negative cash balance of \$63 in the Teacher Development Special Revenue fund and a negative cash balance of \$3,007 in the Voluntary Employee Benefits Agency fund indicating that revenues from other sources were used to pay obligations of these funds, contrary to Ohio Revised Code Statute 5705.10.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual, All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and

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Actual, Proprietary Fund Type are 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/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources
(Over) Under Expenditures and Other Financing Uses
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$1,558,793	(\$57,232)	\$11,310	(\$125,636)
Net Adjustment for Revenue Accruals	79,233	32,416	0	(9,491)
Unrecorded Cash/ Cash Adjustment	(3,070)	63	0	0
Advance In	35,616	5,532	0	0
Advances Out	(10,575)	(35,616)	0	0
Net Adjustment for Expenditure Accruals	(104,189)	51,230	0	42,444
Debt Principal Retirement	(1,292,700)	0	0	0
Adjustment for Encumbrances	(284,566)	(60,088)	0	(36,830)
Budget Basis	<u>(\$21,458)</u>	<u>(\$63,695)</u>	<u>\$11,310</u>	<u>(\$129,513)</u>

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Net Loss/Excess of Revenues Over Expenses
Proprietary Fund Type

	Enterprise
GAAP Basis	(\$9,015)
Net Adjustment for Revenue Accruals	2,277
Net Adjustment for Expense Accruals	19,135
Advance In	5,043
Depreciation	9,188
Capital Outlay	(4,055)
Adjustment for Encumbrances	<u>(8,640)</u>
Budget Basis	<u><u>\$13,933</u></u>

Note 6 - Deposits and Investments

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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 monies are public deposits that the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure repayment of all public monies deposited with the institution.

Interim monies may 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;

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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 provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. 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, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand At fiscal year-end, the School District had \$500 in undeposited cash which is included on the balance sheet as part of "equity in pooled cash and cash equivalents."

The following information classifies deposits and investments by categories of custodial credit risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements."

Deposits At fiscal year-end, the carrying amount of the School District's deposits was (\$768,886) and the bank balance was \$1,487. All of the bank balance was covered by federal depository insurance.

Brooklyn City School District
Notes to the General Purpose Financial Statements
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Investments The School District’s investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. Victory Money Market Mutual Fund is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

At June 30, 2001, the School District’s investment in Victory Money Market Mutual Fund had a carrying amount and a fair value of \$3,083,197.

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, “Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.”

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$2,314,811	\$0
Cash on Hand	(500)	0
Investments which are part of a cash management pool:		
Victory Money Market Mutual Fund	(3,083,197)	3,083,197
GASB Statement No. 3	(\$768,886)	\$3,083,197

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 located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) are for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at 35 percent of appraised market value.

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Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001 and are collected in 2001 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are 25 percent of true value.

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$250,158,120	70.70%	\$278,237,680	74.16%
Tangible Personal Property	72,851,158	20.59	67,099,234	17.88
Public Utility Personal	<u>30,822,470</u>	<u>8.71</u>	<u>29,854,130</u>	<u>7.96</u>
Total Assessed Value	<u>\$353,831,748</u>	<u>100.00%</u>	<u>\$375,191,044</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$40.00		\$43.40	

An emergency operating levy was passed in November of 2000, for 3.8 mill, with collection to begin in January of 2001.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2001 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

Brooklyn City School District
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The amount available to the School District as an advance at June 30, 2001, was \$596,770 in the general fund, and \$15,212 in the permanent improvements capital projects fund.

Note 8 - Receivables

Receivables at June 30, 2001, consisted of taxes, accounts (rent and student fees) and intergovernmental grants. All receivables are considered collectible in full.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	
Tuition	\$3,500
Special Revenue Funds	
Eisenhower Grant	485
Title I	44,685
Title II	4,806
Title VI-R	3,059
<i>Total Special Revenue</i>	<i>53,035</i>
Capital Projects Fund	
Permanent Improvement	1,200
Grand Total	\$57,735

Note 9 - Fixed Assets

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

	Enterprise
Furniture and Equipment	\$208,059
Less accumulated depreciation	(152,734)
Net Fixed Assets	\$55,325

Brooklyn City School District
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A summary of the changes in general fixed assets during fiscal year 2001 follows:

	Balance 6/30/00	Adjustments	Additions	Deletions	Balance 6/30/01
Land and Improvements	\$728,644	\$35,382	\$0	\$0	\$764,026
Buildings	5,635,266	(1,125)	0	0	5,634,141
Furniture and Equipment	3,720,386	(1,456,183)	25,560	0	2,289,763
Vehicles	578,198	(23,314)	100,785	0	655,669
Total	\$10,662,494	(\$1,445,240)	\$126,345	\$0	\$9,343,599

During the fiscal year, the School District changed the capitalization threshold from \$500 to \$1,000 in preparation for the conversion to GASB 34 reporting and had various adjustments to balances based on an appraisal update. These changes had the above effect on the District's fixed assets.

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. During fiscal year 2001, the School District contracted with Harcum Nationwide Insurance Company for comprehensive property insurance (boiler and machinery) and auto fleet coverage. The policies include a \$1,000 deductible per incident on property and \$500 per incident on vehicles.

Professional and general liability is protected by the Harcum Nationwide Insurance Company with a \$1,000,000 single occurrence limit and \$5,000,000 aggregate and no deductible. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction 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

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a

Brooklyn City School District
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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 percentage 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 & Company provides administrative, cost control and actuarial services to the GRP.

Note 11 - Defined Benefit Pension Plans

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 system. 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 State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 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 2001 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was 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, 2001, 2000, and 1999 were \$230,287, \$335,664 and \$322,780, respectively; 88.58 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$26,300 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

Brooklyn City School District
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B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$684,684, \$785,401 and \$795,351, respectively; 82.67 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$118,671 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

Note 12 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), 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.

All STRS benefit recipients and sponsored dependants are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$220,077 for fiscal year 2001.

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STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000 net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 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. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

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, 2001, employer contributions to fund health care benefits were 9.80 percent of covered payroll, an increase of 1.30 percent from fiscal year 2000. 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 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$179,153.

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, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 13 - Other Employee Benefits

A. 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. Administrative personnel, the Superintendent and the Treasurer accumulate 25 days vacation leave. 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

Brooklyn City School District
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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. Sick leave is cumulative to 310 days, no maximum for classified employees. Upon retirement, an employee is paid a severance benefit equal to 32 percent of the value of their accumulative sick leave, calculated at current wage rates, with the balance being forfeited. An employee receiving such payment must meet the retirement provisions set by STRS or SERS, however, classified employees can be paid for sick after 15 years.

B. Early Retirement Incentive

The School District Board of Education approved an Early Retirement Incentive program. The enrollment period ran from June 30, 1997 through June 30, 2000. Participation was open to employees who were at least fifty years old, qualified for retirement with the years purchased by the Board, and agreed to retire within ninety days after notification that credit had been purchased. The credit can not exceed the lesser of three years or one-fifth of each member's total Ohio teaching service. Employees electing to participate in these plans received any accrued vacation or sick pay related severance benefits over a three year period. On an annual basis, the School District has the option of limiting or not implementing the early retirement incentive plans if, in its judgement, it is not deemed financially feasible. For the year ended June 30, 2001, the School District exercised its option of not implementing the early retirement incentive plan.

Note 14 - Long-Term Obligations

The changes in the School District's long-term obligations during fiscal year 2001 were as following:

	Outstanding 6/30/00	Additions	Reductions	Outstanding 6/30/01
Energy Conservation Loan Payable	\$2,415,000	\$0	\$430,000	\$1,985,000
Early Retirement Incentive	499,617	291,819	579,617	211,819
Compensated Absences	1,241,563	0	226,876	1,014,687
Intergovernmental Payable	43,248	76,614	43,248	76,614
Total General Long-Term Obligations	<u>\$4,199,428</u>	<u>\$368,433</u>	<u>\$1,279,741</u>	<u>\$3,288,120</u>

On August 10, 1994, the School District issued \$4,249,000 in notes payable 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 notes were issued for a ten year period with final maturity during fiscal year 2005.

Brooklyn City School District
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Early retirement incentive is paid from the general fund. Compensated absences will be paid from the fund from which the person is paid. The intergovernmental payable represents pension obligations paid outside the available period and will be paid from the fund from which the person is paid.

The School District's overall legal debt margin was \$33,755,844 with an unvoted debt margin of \$375,191 at June 30, 2001.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2001, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Totals
2002	\$455,000	\$98,420	\$553,420
2003	480,000	72,240	552,240
2004	510,000	43,680	553,680
2005	540,000	14,280	554,280
Total	<u>\$1,985,000</u>	<u>\$228,620</u>	<u>\$2,213,620</u>

Note 15 - Loans Payable

The changes in the School District's loans payable during fiscal year 2001 were as following:

	Outstanding 6/30/00	Additions	Reductions	Outstanding 6/30/01
State Advance Loan , 1999	\$1,246,500	\$0	\$1,246,500	\$0
State Solvency Assistance, 1999	924,000	0	462,000	462,000
Total Loans Payable	<u>\$2,170,500</u>	<u>\$0</u>	<u>\$1,708,500</u>	<u>\$462,000</u>

The State solvency assistance loan will be repaid with State foundation revenues in full during fiscal year 2002.

Brooklyn City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 16 - Interfund Transactions

Interfund balances at June 30, 2001 consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
General Fund	\$13,645	\$0
Special Revenue Funds:		
Teacher Development	0	63
Title I	0	5,532
Total Special Revenue	<u>0</u>	<u>5,595</u>
Enterprise:		
Food Service	<u>0</u>	<u>5,043</u>
Agency Fund:		
Voluntary Employee Benefits	<u>0</u>	<u>3,007</u>
Total	<u><u>\$13,645</u></u>	<u><u>\$13,645</u></u>

Note 17 - Contingencies

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditures of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

B. Litigation

The School District is party to legal proceedings. The amount of the liability, if any, cannot be reasonably estimated at this time. However, in the opinion of management, any such claims and lawsuits will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

Brooklyn City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 18 - 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.

B. Ohio Schools Council

The Ohio Schools Council (Council) is a jointly governed organization among eighty-three 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 2001, the School District paid \$1,930 to the Council. Financial information can be obtained by contacting Albert G. Vasek, the Executive Secretary/Treasurer of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The 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 district 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.

In 1997, Energy Acquisition Corporation, a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to prepurchase eight years of electricity from Cleveland Electric Illumination (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, that district is required to repay savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corporation.

The School District participates in the Council's prepaid natural gas program which was implemented during fiscal year 2000. This program allows school district's to purchase natural gas at reduced rates, if the school district 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.

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Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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 its contributions, if any, 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 in 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 contributed \$32,653 to LNOCA during fiscal year 2001.

The Governing Board consists of superintendents of each participating school district and the educational service center. The degree of control exercised by any participant is limited by 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 West Canal Road, Valleyview, OH 44125.

Note 19 - Insurance Purchasing Pool

Ohio School Boards Association Workers' Compensation Group Rating Program - 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 Immediate Past President of the OSBA. The Executive Director of the OSBA, or his 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 20 - Segment Information for Enterprise Funds

The School District maintains four enterprise funds to account for the operations of food service, uniform school supplies, wellness clinic and latchkey. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2001.

Brooklyn City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

	Food Service	Uniform School Supplies	Wellness Clinic	Latchkey	Total Enterprise Funds
Operating Revenues	\$247,971	\$59,681	\$650	\$103,365	\$411,667
Depreciation	9,188	0	0	0	9,188
Operating Income (Loss)	(156,120)	11,284	(296)	7,273	(137,859)
Donated Commodities	17,833	0	0	0	17,833
Operating Grants	86,869	0	0	0	86,869
Transfers In	24,000	0	0	0	24,000
Net Income (Loss)	(27,276)	11,284	(296)	7,273	(9,015)
Fixed Asset Additions	4,055	0	0	0	4,055
Long-term Compensated Absences	5,341	0	0	0	5,341
Net Working Capital	(20,781)	67,488	631	116,234	163,572
Total Assets	81,077	70,164	631	122,302	274,174
Total Equity	29,203	67,488	631	116,234	213,556
Encumbrances, June 30, 2001	5,117	2,675	0	848	8,640

Note 21 - Set-Asides

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

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

Brooklyn City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

	Textbooks	Capital Improvements	Budget Stabilization
Set-Aside Reserve Balance as of June 30, 2000	\$137,466	\$0	\$0
Current Year Set-Aside Requirement	335,931	335,931	0
Qualifying Disbursements	(244,568)	(289,542)	0
Totals	<u>\$228,829</u>	<u>\$46,389</u>	<u>\$0</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$228,829</u>	<u>\$46,389</u>	<u>\$0</u>
Set-Aside Reserve Balance as of June 30, 2001	<u>\$228,829</u>	<u>\$46,389</u>	<u>\$0</u>

The total reserve balance for the three set-asides at the end of the fiscal year was \$275,218.

Note 22 - State School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 21, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

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BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2001 (A)

Federal Grantor Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture						
<i>Passed Through the Ohio Department of Education:</i>						
Child Nutrition Cluster						
Food Distribution (B)	N/A	10.550	\$0	\$17,114	\$0	\$15,525
School Breakfast Program (C)	043653-05-PU-00 043653-05-PU-01	10.553	502 3,919	0 0	502 3,919	0 0
National School Lunch Program (C)	043653-03/04-PU-00 043653-03/04-PU-01	10.555	10,905 66,800	0 0	10,905 66,800	0 0
Total U. S. Department of Agriculture - Child Nutrition Cluster			<u>82,126</u>	<u>17,114</u>	<u>82,126</u>	<u>15,525</u>
U.S. Department of Education						
<i>Passed Through the Ohio Department of Education</i>						
Special Education Cluster						
Special Education - Title VI-B	043653-6B-SF-00	84.027	7,105	0	7,105	0
Special Education - Title VI-B	043653-6B-SF-01	84.027	103,415	0	102,163	0
Subtotal			<u>110,520</u>	<u>0</u>	<u>109,268</u>	<u>0</u>
Special Education - Preschool	043653-PG-S1-01	84.173	9,409	0	9,409	0
Total Special Education Cluster			<u>119,929</u>	<u>0</u>	<u>118,677</u>	<u>0</u>
Grants to Local Educational Agencies						
Title I	043653-C1-S1-00	84.010	75,162	0	75,162	0
Title I	043653-C1-S1-00	84.010	21,968	0	21,968	0
Title I	043653-C1-S1-01	84.010	52,445	0	52,445	0
Subtotal			<u>149,575</u>	<u>0</u>	<u>149,575</u>	<u>0</u>
Drug Free Schools						
Drug Free	043653-DR-S1-96	84.186	(703)	0	0	0
Drug Free	043653-DR-S1-00	84.186	0	0	13	0
Drug Free	043653-DR-S1-01	84.186	5,870	0	5,627	0
Subtotal			<u>5,167</u>	<u>0</u>	<u>5,640</u>	<u>0</u>
Eisenhower Professional Development State Grant						
Eisenhower Grant	043653-MS-S1-00	84.281	4,711	0	4,571	0
Eisenhower Grant	043653-MS-S1-01	84.281	4,364	0	1,286	0
Subtotal			<u>9,075</u>	<u>0</u>	<u>5,857</u>	<u>0</u>
Innovative Education Program Strategies						
Title VI	043653-C2-S1-99	84.298	1,227	0	1,227	0
Title VI	043653-C2-S1-00	84.298	9,137	0	7,221	0
Title VI	043653-C2-S1-01	84.298	4,485	0	1,208	0
Subtotal			<u>14,849</u>	<u>0</u>	<u>9,656</u>	<u>0</u>
Title VI-R Reducing Class Size Reduction						
Title VI-R	043653-CR-S1-00	84.340	19,850	0	19,850	0
Title VI-R	043653-CR-S1-01	84.340	7,556	0	6,705	0
Subtotal			<u>27,406</u>	<u>0</u>	<u>26,555</u>	<u>0</u>
Total U.S. Department of Education			<u>326,001</u>	<u>0</u>	<u>315,960</u>	<u>0</u>
<i>Passed Through the Cleveland Municipal School District</i>						
Grants to Local Educational Agencies						
Title I	N/A	84.010	29,696	0	29,696	0
Subtotal			<u>29,696</u>	<u>0</u>	<u>29,696</u>	<u>0</u>
Total Federal Assistance			<u>\$437,823</u>	<u>\$17,114</u>	<u>\$427,782</u>	<u>\$15,525</u>

Note A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

Note B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.

Note C - NATIONAL SCHOOL LUNCH, SPECIAL MILK PROGRAMS

Federal monies received by the District for these programs are commingled with State grants and local revenues.

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OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Members of the Board of Education
Brooklyn City School District
Cuyahoga County
9200 Biddulph Road
Brooklyn, Ohio 44144

We have audited the financial statements of the Brooklyn City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated January 11, 2002 in which we noted the District reclassified its expendable trust fund to a special revenue fund, reclassified its internal service fund to an agency fund, and corrected an error in its enterprise fund fixed assets. The District also implemented GASB Statements #33 and #36 which resulted in a restatement to the special revenue fund balance. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-10818-001 and 2001-10818-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 11, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-10818-003 through 2001-10818-007.

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of 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 to be material weaknesses. However we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated January 11, 2002.

This report is intended for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 11, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Education
Brooklyn City School District
Cuyahoga County
9200 Biddulph Road
Brooklyn, Ohio 44144

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 are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

The management of the District 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 have a direct and material effect on a major federal program in order 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.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings as items 2001-10818-003 and 2001-10818-005.

A material weakness is a 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 that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance 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 to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated January 11, 2002.

This report is intended for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 11, 2002

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
June 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Title I, CFDA #84.010; and Nutrition Cluster: Food Distribution, CFDA #10.550; School Breakfast Program, CFDA #10.553; National School Lunch Program, CFDA #10.555.
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
June 30, 2001
(Continued)**

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

The comments appearing with an asterisk (*) denote comments that were previously brought to management's attention for which corrective action has not been taken.

Finding Number	2001 - 10818 - 001
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***APPROPRIATIONS EXCEEDING ESTIMATED RESOURCES**

Ohio Revised Code Section 5705.39 requires the total appropriation from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total Certificate of Estimated Resources or the Amended Certificate of Estimated Resources.

We compared the Board approved final appropriation measure with the final Amended Certificate of Estimated Resources from each fund and determined that appropriations exceeded the final estimate of resources by the amount presented in the following table:

FUND	APPROPRIATIONS	ESTIMATED RESOURCES	DIFFERENCE
Special Revenue Funds			
Auxiliary Services	\$287,303	\$262,234	(\$25,069)
Data Communication	\$12,000	\$0	(\$12,000)
Schoolnet	\$5,142	\$1,142	(\$4,000)
Video Distance	\$35,000	\$0	(\$35,000)
Ohio Reads	\$66,364	\$62,364	(\$4,000)
Misc. State Grants	\$8,742	\$4,713	(\$4,029)
Eisenhower Grant	\$9,560	\$5,500	(\$4,060)
Title VI-B	\$110,520	\$70,000	(\$40,520)
Title I	\$222,590	\$97,000	(\$125,590)
Title VI	\$19,706	\$6,800	(\$12,906)
Misc. Fed. Grants	\$48,596	\$500	(\$48,096)
Debt Service Fund			
Bond Retirement	\$11,310	(\$11,310)	(\$22,620)
Enterprise Fund			
Food Service	\$398,879	\$356,812	(\$42,067)

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
June 30, 2001
(Continued)**

Finding Number	2001 - 10818 - 001 (Continued)
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We recommend the District monitor budgetary reports to ensure that appropriation measures do not exceed estimated resources. Also, the District should make timely amendments to the Certificate of Estimated Resources with the County Auditor to increase or decrease other sources of revenue as necessary so that the amount budgeted is consistent with the actual revenue transaction activity.

Finding Number	2001 - 10818 - 002
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***EXPENDITURES EXCEEDING APPROPRIATIONS**

Ohio Revised Code Section 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The following table specifies the fund, function, and object where expenditures plus encumbrances materially exceeded appropriations for the fiscal year end:

FUND	APPROPRIATIONS	EXPENDITURES + ENCUMBRANCES	DIFFERENCE
Special Revenue Funds			
<i>District Managed Student Activities</i>			
Purchased Services	\$13,458	\$57,487	(\$44,029)
Supplies and Materials	\$4,947	\$42,908	(\$37,961)
Capital Outlay	\$2,208	\$10,961	(\$8,753)
Other	\$4,260	\$32,205	(\$27,945)
Capital Project Fund			
<i>Schoolnet Plus</i>			
Operation & Maintenance of Plant	\$0	\$24,000	(\$24,000)

We recommend the Treasurer and Board of Education review budget to actual financial data on a monthly basis and make amendments to appropriations as needed to ensure expenditures do not exceed appropriations at the Board adopted legal level of control. All District employees should be made aware that no purchases may be made until a purchase order has been properly executed and the availability of funds has been certified by the Treasurer.

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
June 30, 2001
(Continued)**

Finding Number	2001 - 10818 - 003
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***CASH RECONCILIATIONS**

Reconciliation of the District's cash accounts with its cash ledgers, including fund balance, is a necessary control procedure to adequately safeguard cash and to provide an accurate financial picture of the District. Although reconciliations were performed for the audit period, the District had been unable to accurately reconcile its books for several years preceding the audit period. As a result, the District did not have an accurate fund balance to reconcile to for the audit period. In addition, none of the reconciliations prepared during the audit period contained a signature by the person who prepared them, nor did they contain the initials of anyone reviewing them for accuracy. Failure to timely reconcile bank accounts and resolve discrepancies can result in errors in budgeting and financial reporting.

Bank and investment balances should be reconciled with the District's cash fund balances monthly. Bank reconciliations should include the date prepared and signature of the preparer. Following preparation, the reconciliation should be reviewed for accuracy and initialed by someone other than the preparer. This review should include requesting to see support for large or unusual items appearing on the reconciliation. Reconciling items, which are needed to agree the monthly bank balances to the month end fund balances, should be explained and supported by proper documentation. Unreconciled differences should be investigated and if unresolved should be presented to the Board of Education for proper disposition. Unreconciled differences should not be carried on the reconciliations any longer than is necessary to properly investigate for resolution.

Finding Number	2001 - 10818 - 004
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***STUDENT ACTIVITIES and OTHER FUND-RAISING ACTIVITY**

The Brooklyn City School District policy manual includes several policies that address Co-Curricular and Extracurricular activities, Student Fund-Raising activities, and Student Activities Fund Management. These policies address the need to raise funds to conduct school activities and procedures required to conduct a fund raising activity. The Board policies state in part that:

- All student activities in the District shall be approved annually by the Superintendent and the Board of Education. The advisor must file a *Policy and Purpose Statement* at the beginning of each school year that states the purpose of the activity or club.
- The *Budget Form* is to outline anticipated receipts by source and expenditures by need for each school year.
- Activity advisors must obtain permission to hold a fund-raising activity via a *Fund-Raising Application*.
- All contracts signed with a supplier must be approved by the Board of Education before they are considered in effect, and requests for purchases from student activity funds must be approved in writing by the school principal.
- Funds derived from approved student fund-raising activities will be handled by the Treasurer's office.
- An accounting of all student funds will be made monthly, and a report of all accounts will be made by the Treasurer to the Superintendent and the Board.

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
June 30, 2001
(Continued)**

Finding Number	2001 - 10818 - 004 (Continued)
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- Upon completion of the fund-raising activity, the *Fund-Raising Profit and Loss Statement* must be filed with the Treasurer through the principal's office.

Our review of student fund-raising activities noted that student activities were not being consistently managed and/or supervised, by the building principals and District administrators, in accordance with established Board policy. The following violations and internal control failures were noted:

- Permission to hold fund-raising activities was not consistently obtained by the activity advisors from the District's principals as evidenced by the lack of *Fund-Raising Application Forms*.
- All contracts signed with a supplier were not approved by the Board of Education and purchases were not always supported by a properly executed purchase order documenting purchasing authorization and the certification of availability of funds.
- Determination of the type of fund raising activity, the number of activities during the year and the profit/loss on those activities was not possible because student activity advisors did not maintain sufficient documentation.
- Accurate monthly reporting of all student activity accounts was not made by the Treasurer to the Superintendent and the Board.
- Activity reports to be prepared at the conclusion of the school year were not prepared and presented to the Superintendent and Board.
- *Fund-Raising Profit and Loss Statements* were not completed and filed with the Treasurer by the activity advisor upon completion of the fund-raising activity.

Circumvention of the established Board policies and procedures may result in untimely or lack of reconciliations, undocumented student activity transactions, unauthorized purchases, over-expenditure of funds, and inadequate accounting for these funds.

We recommend the District administrators take immediate action to enforce the policies and procedures established by the Board in order to ensure a proper accounting of the student activities and the integrity of the financial reporting by the District. All student activity advisors should be required to review the Board policies concerning the management of student activities and formally acknowledge their understanding of their financial and reporting responsibilities.

The District should clearly identify activities that are appropriate student fund-raisers and those that should be conducted by non-school organizations (i.e. booster clubs, parent/teacher organizations, alumni groups). Donations made by non-school organizations should be clearly recognized by Board resolution.

In addition to enforcing the established board policies, a routine review of the documents supporting each fund-raiser should be performed by an individual other than the advisor to ensure that proper documentation exists for both the collection of revenues and the purchase of items to be sold. Purchases exceeding \$1,000 that are initiated by activity advisors without obtaining a properly approved purchase order are required to be submitted to the Board of Education for their review and approval.

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
June 30, 2001
(Continued)**

Finding Number	2001 - 10818 - 005
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***BUDGETARY MONITORING PROCESS**

Findings 2001-10818-001 and 2001-10818-002 report instances where expenditures exceeded appropriations and where appropriations exceeded estimated resources. These budgetary violations may have resulted in part because the budget data for revenues and appropriations reflected in the budgetary reports did not reflect the amounts authorized by the County Budget Commission or Board of Education. Consequently, reports compiled and derived from the data did not represent the actual budgetary position of the District.

The District should review its procedures for posting original appropriations, estimated resources and any subsequent amendments to its accounting records. The Board of Education should also enhance its monitoring procedures over budgetary activity by anticipating the District's needs and amending the appropriations and estimated resources to prevent any budgetary violations from occurring that would significantly impact the District's financial statements.

Finding Number	2001 - 10818 - 006
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FIXED ASSETS

The District does not have a written policy that clearly defines the specific accounting procedures to be followed by personnel to account for fixed assets, including the addition, disposal, or transfer of fixed assets. An independent appraisal company provided the District with reports dated September 4, 1997 and September 10, 1998 which listed all of the District's fixed assets. The appraisal reports were accepted by management to be the most accurate listing of fixed assets, and as such adjustments were made to fixed assets in fiscal years 1999 and 2001 financial statements. For fiscal years 2000 and 2001, the District did not have the fixed asset appraisal reports updated. Activity relating to the acquisition and disposal of assets was not compiled until the information was requested to prepare the District's general purpose financial statements. Failure to timely track fixed asset transactions could result in the District being unable to properly account for items damaged, lost, or stolen and may result in misstatement of the fixed assets reported in the financial statements.

Formal policies and procedures should be adopted that clearly identify the processes for the recording of acquired or disposed items, tagging assets, performing annual physical inventories, maintaining original purchase documentation, and the procedures for addressing any discrepancies. These procedures should also identify individual responsibilities for fixed asset management. Ohio Revised Code Section 3319.04 identifies the business manager as being entrusted with the care and custody of all property of the school district whether real or personal. The District should schedule and conduct a physical inventory on a regular basis. This procedure will provide the District with an on-going assessment of the accuracy of the fixed asset listing. Physically identifying items via tag or serial number, will allow personnel to determine whether an asset has been erroneously excluded from the listing, is missing, or is obsolete.

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
June 30, 2001
(Continued)**

Finding Number	2001 - 10818 - 007
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DEFICIT BALANCE - CLASS OF 2001 PROM

As of June 30, 2001 the special cost center for the Class of 2001 had a negative balance of \$4,182. The deficit resulted from prom expenditures for several items that exceeded the amount presented by the advisor in the original budget, or that were not included in the original budget. The admission charged to students was not sufficient to pay for the total purchase commitments. This deficit balance indicates that money from another special cost center within this fund was used to pay expenditures for the Class of 2001 prom.

Since the majority of revenue to cover prom expenditures is generated by ticket sales just before the event is held, it is imperative that District administrators insure that the ticket price for admission is set at an amount that will generate the necessary revenue to cover the purchase commitments made for the prom. Prom is one of the largest student activity events each school year, therefore we recommend that procedures be immediately implemented to require formalized administrative participation in the determination of the reasonable purchase commitments and setting of the ticket prices to guard against future over-spending by student classes and advisors. We also recommend the District Board of Education take formal action to eliminate the deficit balance in this special cost center.

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
June 30, 2001
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

***CASH RECONCILIATIONS**

Finding Number	2001-10818-003
CFDA Title and Number	All Programs-Schedule of Federal Awards Expenditures
Federal Award Number / Year	Fiscal Year Ending June 30, 2001
Federal Agency	U.S. Dept. of Education and U.S. Dept. of Agriculture
Pass-Through Agency	Ohio Department of Education

See finding #2001-10818-003 above; this finding is also required to be reported in accordance with OMB Circular A-133.

***BUDGETARY MONITORING PROCESS**

Finding Number	2001-10818-005
CFDA Title and Number	All Programs- Schedule of Federal Awards Expenditures
Federal Award Number / Year	Fiscal Year Ending June 30, 2001
Federal Agency	U.S. Dept. of Education and U.S. Dept. of Agriculture
Pass-Through Agency	Ohio Department of Education

See finding #2001-10818-005 above; this finding is also required to be reported in accordance with OMB Circular A-133.

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significant Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-10818-001	Appropriations Exceeding Estimated Resources	No	Partially Corrected.
2000-10818-002	Expenditures Exceeding Appropriations	No	Partially Corrected.
2000-10818-003	Cash Reconciliations	No	Partially Corrected: The District has implemented new and modified existing monthly reconciliation procedures.
2000-10818-004	Student Activities and other Fund Raising Activities	No	Partially Corrected.
2000-10818-005	Budgetary Monitoring Process	No	Partially Corrected.
2000-10818-006	Fixed Assets	No	Not Corrected.
2000-10818-007	Federal Grant Administration	Yes	Finding No Longer Valid.



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OFFICE OF THE AUDITOR

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BROOKLYN CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 14, 2002**